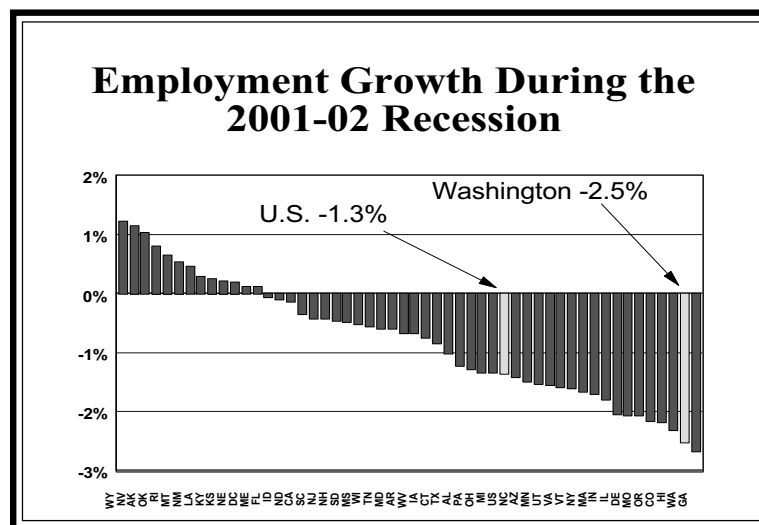


Washington Economic and Revenue Forecast



September 2002
Volume XXV, No. 3

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Explanation of the Cover Graph

The recent recession has often been characterized as mild. The cover chart shows that this is clearly not the case for Washington. The chart shows payroll employment growth by state from March 2001 to April 2002, which is the period of decline in U.S. payroll employment. At 2.5 percent, Washington's employment decline was nearly twice the national average of 1.3 percent and second only to Georgia in severity. Washington's recession began earlier and has lasted longer than the U.S. downturn. The decline since the peak in Washington employment is now 3.1 percent and it is not clear that the bottom has been reached. Only the recessions of the early 1970s and early 1980s exhibited larger employment reductions. September 11 and the resulting contraction of aircraft manufacturing in Washington is only part of the story. The bursting of the dot-com bubble was far more severe in Washington than elsewhere as was the construction sector correction.

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Washington Economic and Revenue Forecast

Prepared by the
Office of the Forecast Council

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Preface

The Office of the Forecast Council is required by Chapter 231, Section 34, Laws of 1992 (RCW 82.33.020) to prepare a quarterly state economic and revenue forecast and submit it to the Forecast Council. This report presents the state's economic and General Fund-State revenue forecast. It is issued four times a year.

Copies on Compact Disc are available to Washington State businesses and residents for \$4.50 per copy, and to those out-of-state for \$9.00 per copy. You may contact our office for more subscription information at (360) 570-6100 or by writing the Office of the Forecast Council, Post Office Box 40912, Olympia, WA 98504-0912.

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Executive Summary

U.S. Economic Forecast

The September 2002 economic and revenue forecast incorporates the advance GDP estimate for the second quarter of 2002. According to the advance estimate, GDP growth slowed to just 1.1 percent in the second quarter from a sizzling 5.0 percent in the first quarter. Inventories were essentially flat in the second quarter after 5 quarters of sharp decline, which was a plus for GDP growth. Final sales actually fell in the second quarter at a 0.1 percent rate. Once again, what little strength there was in the second quarter was due to U.S. consumers who increased their purchases by 1.9 percent. The government sector was also a source of strength with a 1.8 percent increase due to an 8.0 percent increase in defense spending. After six consecutive quarterly declines, fixed investment was slightly positive in the second quarter with a 0.3 percent growth rate. The continuing drag from the trade sector worsened in the second quarter as a 23.5 percent increase in imports swamped an 11.7 percent increase in exports.

The second quarter decline in payroll employment was the fifth consecutive quarterly reduction but, at just 0.1 percent, it was the smallest decline of this recession. However, the U.S. unemployment rate rose to a new high of 5.90 percent in the second quarter from 5.60 percent in the first quarter. The Consumer Price Index jumped 3.4 percent in the second quarter compared to a 1.4 percent increase in the first quarter but the apparent increase in inflation was due to rising energy costs. Core inflation (excluding food and energy) declined slightly to 2.2 percent from 2.3 percent in the first quarter. Housing starts fell at a 14.8 percent rate in the second quarter but, at 1.658 million units, remain surprisingly strong. The mortgage rate declined slightly from 6.97 percent in the first quarter to 6.82 percent in the second. As expected in the forecast, the Federal Reserve held the federal funds rate target at 1.75 percent at the September 24 meeting of the FOMC.

It is difficult to find a near-term source of strength other than the federal government. Consumers will keep spending, but with somewhat less enthusiasm than in the recent past. Vehicles and homes are the exception. Vehicle sales are being propped up by incentives. In other areas, however, spending is being restrained by modest pay increases and limited job opportunities. Meanwhile, many retirement portfolios are looking a bit sickly, forcing people to consider either working longer or saving more out of current income. The consumer will support continued expansion, but will not push the economy into overdrive. Business spending on equipment and software is no longer falling, but the improvement is minimal while nonresidential construction spending has plunged in recent quarters and residential construction is probably close to a peak. The trade sector remains a major drag on GDP growth and state governments are wrestling with the mismatch between the cost of maintaining service levels and available revenues. The growth of real federal government purchases has accelerated from 2.6% in fiscal 2001 to 7.6% in fiscal 2002 and is expected to slow only marginally in 2003, however. On a calendar year basis, the forecast

expects GDP growth to improve from 0.3 percent in 2001 to 2.5 percent in 2002 and 3.4 percent in 2003 before settling back to 3.3 percent in 2004 and 2.9 percent in 2005. The nation's unemployment rate, which was down to 3.97 percent in the fourth quarter of 2000, is expected to rise to 6.10 percent by the last quarter of 2002. The unemployment rate is expected to decline throughout 2003, 2004, and 2005 as the economy recovers, reaching 4.95 percent by the end of 2005. Inflation, as measured by the implicit price deflator for personal consumption expenditures, is expected to decline from 2.0 percent in 2001 to 1.4 percent in 2002. The improvement in 2002 is mainly the result of lower energy costs, but the slumping economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 2.7 percent in 2003, 2.6 percent year in 2004, and 2.5 percent in 2005. The forecast assumes that there will be no further cuts in the federal funds rate during this cycle. However, the Fed will not begin tightening until early next summer.

Washington State Economic Forecast

Washington payroll employment fell at a 1.7 percent rate in the second quarter of 2002 following a 2.6 percent decline in the first quarter and a 2.2 percent decline for all four quarters of 2001. This was the sixth consecutive quarterly decline in overall employment in Washington. The cumulative reduction now stands at 3.3 percent which is more than twice the national peak-to-trough decline of 1.3 percent. Only twice in the last forty years has Washington seen a more precipitous decline: during the recessions of 1969-71 and 1981-82. Manufacturing employment fell at a 6.3 percent annual rate in the second quarter, the sixteenth consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at a 13.9 percent annual rate in the second quarter following a 23.7 percent drop in the first quarter. Manufacturing employment other than aerospace showed signs of stabilizing, falling only 3.6 percent in the second quarter of 2002 compared to an 8.1 percent decline in the first quarter and 9.4 percent during 2001. Nonmanufacturing employment declined at a 1.0 percent annual rate in the second quarter of 2002, which was the mildest decline in a year. Most major nonmanufacturing sectors continued to decline in the second quarter including transportation, communications, and utilities (down 4.3 percent) and trade (down 3.9 percent). Construction and finance, insurance, and real estate each fell 2.1 percent. Services, the state's largest sector, showed positive growth for the first time since 2000 with a 1.2 percent gain while government employment continued to expand, rising at a 0.7 percent rate.

Washington's personal income in the first quarter of 2002 was \$ 7.773 billion (4.2 percent) higher than expected in the June forecast. First quarter wages were a whopping \$4.963 billion (4.7 percent) higher than expected in June though most of the discrepancy was one-time in nature. Software wages were \$1.653 billion (36.1 percent) higher as a result of a change in the way the BEA will seasonally adjust services wages in the future. Excluding this impact, software wages were \$0.002 billion (0.0 percent) lower than expected in June. The change in seasonal adjustment methodology only affects the first quarter estimate. The covered employment and payrolls data also indicate that non-software wages were \$3.310 billion (3.3 percent) higher than expected in June. This is the third year in which the covered employment and payrolls data show a spike in the first quarter following a weak fourth quarter. We believe that this indicates a shifting seasonal pattern and will largely be offset in the second quarter. As a result, we have reduced the wage estimate for the second quarter and beyond by \$2.091 billion. Even after these one-time adjustments, however, wages are \$1.217 billion (1.1 percent) higher than assumed in June. Our estimate of nonwage personal income in the first quarter of 2002 was \$2.811 billion (3.5 percent) higher than in the June forecast. This unusually large revision to the estimate of nonwage income was due almost entirely to the incorporation of our estimate of the impact the recent NIPA revisions will have on state personal

income. Excluding this adjustment, the revision was only \$0.195 billion (0.2 percent). The total wage and nonwage increase to the level of personal income that we believe will be sustained beyond the first quarter is \$4.028 billion (2.2 percent).

In spite of the weak economy, the number of housing units authorized by building permit jumped 7,600 to 43,800 in the second quarter of 2002 from 36,200 in the first quarter. Single family permits increased 3,700 to 32,200 while the number of multi-family units authorized soared 3,900 to 11,600.

The state's economy now appears to be lagging behind the national economy by an even greater margin than expected in June. We continue to believe that the Washington economy bottomed out around mid-year but we expect very little growth in the second half of 2002. The weaker recovery assumed in the new national forecast also reduces growth in Washington. The aerospace forecast for Washington remains similar to the forecasts adopted last November, February, and June. We believe that the reductions have totaled about 17,600 by August, including contract workers and non-Boeing aerospace workers, compared to a reduction of 19,900 assumed in November and 19,700 in our last forecast. However the current forecast assumes the decline will be steeper and will extend through the end of 2003 rather than bottoming out at mid-year as in the earlier forecasts. The forecast assumes there will be no work stoppage at Boeing due to the labor dispute. As in June, the forecast also assumes an increase in employment related to the construction of the nuclear waste vitrification plant at Hanford from the current level of about 2,500 to a peak of 4,500. Employment is expected to drop off sharply after the peak in mid-2004, reaching 2,500 by the end of 2005. The software wage assumption is essentially unchanged. Also, as in June, the forecast assumes there will be no major fluctuations in Microsoft stock option activity. In 2002 we are experiencing the first ever year-over-year declines in software employment. In the third quarter the year-over-year decline was 900. The forecast expects an increase of 1,400 during the next year compared to 2,600 in the previous forecast.

Washington wage and salary employment fell 0.6 percent in 2001 following a 2.4 percent increase in 2000. The combination of the national recession and severe cutbacks in aircraft manufacturing is expected to result in a 2.1 percent decline in 2002. The recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn is expected until 2004. The forecast calls for an employment growth rate of 1.1 percent in 2003, improving to 2.2 percent and 2.1 percent in 2004 and 2005. Washington personal income growth slowed sharply in 2001 to 2.3 percent from 6.9 percent in 2000. Excluding the volatile software sector the slowdown was from 8.4 percent to 3.0 percent. Personal income growth is expected to remain weak in 2002 due to the weak national economy and Boeing layoffs. The forecast expects personal income to grow 2.4 percent in 2002, gradually improving to 3.9 percent in 2003, 5.1 percent in 2004, and 5.8 percent in 2005. The forecast expects housing permits to increase from 38,300 in 2001 to 39,400 in 2002 mainly as a result of the very strong second quarter activity but weak income and population growth and rising unemployment will depress housing for the next couple of years. The forecast expects housing permits to decline to 37,900 in 2003 and 37,700 in 2004 before recovering to 39,400 in 2005.

Washington State Revenue Forecast

Recent economic data revisions indicate that Washington employment is weaker than previously believed but incomes are higher. Revenue collections since the last forecast suggest that overall the local economy is performing about as expected in June. As a result, the forecast for the current biennium is essentially unchanged. The new forecast reflects the view that the national recovery will be weaker than assumed in June and that the recovery in aerospace will be delayed until 2004 which leads to a lower revenue forecast for the 2003-05 forecast. The General Fund-State revenue forecast for the 2001-03

biennium is \$21,106.3 million, which is \$33.8 million lower than the forecast adopted in June. The September revenue forecast for the 2003-05 biennium of \$22,700.1 million is \$265.1 million lower than the June forecast. The 2003-05 forecast reduction of \$345.5 million due to economic factors is partially offset by an \$80.4 million increase due to an adjustment for the expiration of two tax incentives scheduled to expire in the 2003-05 biennium and for 2002 legislation not included in the June 2002 forecast. The bottom line is a \$298.9 million revenue forecast reduction for the two biennia combined.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2001-03 biennium. The forecast based on more optimistic economic assumptions netted \$273 million (1.3 percent) more revenue than did the baseline forecast while the pessimistic scenario was \$280 million (1.3 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$17 million (0.1 percent) less revenue than did the baseline forecast.

Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The September 2002 economic and revenue forecast incorporates the advance GDP estimate for the second quarter of 2002. According to the advance estimate, GDP growth slowed to just 1.1 percent in the second quarter from a sizzling 5.0 percent in the first quarter. Inventories were essentially flat in the second quarter after 5 quarters of sharp decline, which was a plus for GDP growth. Final sales actually fell in the second quarter at a 0.1 percent rate. Once again, what little strength there was in the second quarter was due to U.S. consumers who increased their purchases by 1.9 percent. Consumer spending on services rose 3.0 percent and purchases of durable goods increased 2.4 percent but nondurable goods purchases slipped 0.6 percent. The government sector was also a source of strength with a 1.8 percent increase due to an 8.0 percent increase in defense spending. Nondefense spending was also strong, increasing at a 6.3 percent rate, but state and local government purchases fell 1.1 percent. After six consecutive quarterly declines, fixed investment was slightly positive in the second quarter with a 0.3 percent growth rate. Business purchases of equipment and software rose 2.9 percent which was the first increase in nearly two years and residential fixed investment grew 5.0 percent but nonresidential construction sank 14.0 percent. The continuing drag from the trade sector worsened in the second quarter as a 23.5 percent increase in imports swamped an 11.7 percent increase in exports.

The second quarter decline in payroll employment was the fifth consecutive quarterly reduction but, at just 0.1 percent, it was the smallest decline of this recession. However, the U.S. unemployment rate rose to a new high of 5.90 percent in the second quarter from 5.60 percent in the first quarter. The Consumer Price Index jumped 3.4 percent in the second quarter compared to a 1.4 percent increase in the first quarter but the apparent increase in inflation was due to rising energy costs. Core inflation (excluding food and energy) declined slightly to 2.2 percent from 2.3 percent in the first quarter. Housing starts fell at a 14.8 percent rate in the second quarter but, at 1.658 million units, remain surprisingly strong. The mortgage rate declined slightly from 6.97 percent in the first quarter to 6.82 percent in the second. As expected in the forecast, the Federal Reserve held the federal funds rate target at 1.75 percent at the September 24 meeting of the FOMC.

U.S. Forecast Highlights

It is difficult to find a near-term source of strength other than the federal government. Consumers will keep spending, but with somewhat less enthusiasm than in the recent past. Vehicles and

homes are the exception. Vehicle sales are being propped up by incentives. In other areas, however, spending is being restrained by modest pay increases and limited job opportunities. Meanwhile, many retirement portfolios are looking a bit sickly, forcing people to consider either working longer or saving more out of current income. The consumer will support continued expansion, but will not push the economy into overdrive. Business spending on equipment and software is no longer falling, but the improvement is minimal while nonresidential construction spending has plunged in recent quarters and residential construction is probably close to a peak. The trade sector remains a major drag on GDP growth and state governments are wrestling with the mismatch between the cost of maintaining service levels and available revenues. The growth of real federal government purchases has accelerated from 2.6% in fiscal 2001 to 7.6% in fiscal 2002 and is expected to slow only marginally in 2003, however. On a calendar year basis, the forecast expects GDP growth to improve from 0.3 percent in 2001 to 2.5 percent in 2002 and 3.4 percent in 2003 before settling back to 3.3 percent in 2004 and 2.9 percent in 2005. The nation's unemployment rate, which was down to 3.97 percent in the fourth quarter of 2000, is expected to rise to 6.10 percent by the last quarter of 2002. The unemployment rate is expected to decline throughout 2003, 2004, and 2005 as the economy recovers, reaching 4.95 percent by the end of 2005. Inflation, as measured by the implicit price deflator for personal consumption expenditures, is expected to decline from 2.0 percent in 2001 to 1.4 percent in 2002. The improvement in 2002 is mainly the result of lower energy costs, but the slumping economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 2.7 percent in 2003, 2.6 percent year in 2004, and 2.5 percent in 2005. The forecast assumes that there will be no further cuts in the federal funds rate during this cycle. However, the Fed will not begin tightening until early next summer.

1. The recession is probably over but the recovery is expected to be unusually weak in part because the recession was unusually mild. Consumer spending and housing activity remained strong throughout the recession so not much of a rebound is expected from the household sector. Business investment continues to suffer from excess capacity, the trade imbalance continues to grow, and state and local governments are already suffering large operating losses. The only source of unusual strength in the immediate future is federal defense spending. Real GDP grew only 0.8 percent in fiscal 2002, down from 1.8 percent in 2001 and more than 4 percent in each of the previous four years. Real GDP growth is expected to improve to 3.2 percent in 2003, 3.5 percent in 2004, and 3.0 percent in 2005.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, fell to 1.3 percent in fiscal 2002 from 2.5 percent in 2001. Most of the improvement was from a transitory reduction in energy costs. Also, benefits costs have begun to accelerate again, putting upward pressure on prices. Still, the slack created by the recession and weak recovery should help keep inflation in check during the next three years. The forecast assumes that inflation will increase moderately to 2.3 percent in 2003, 2.7 percent in 2004, and 2.5 percent in 2005.
3. The Federal Reserve began easing interest rates well in advance of the recession, cutting the federal funds rate a total of 300 basis points from January to August of 2001. After September 11 the Fed lowered its target rate another 175 basis points to just 1.75 percent. Monetary policy has been in a holding pattern since December 11. Though the July plunge in equity prices raised hopes in some quarters for another cut in the federal funds target rate, the forecast assumes no further reductions in this cycle. Because the recovery now appears so

frail, however, the first rate hike has been moved out to next summer. As a result of the aggressive Fed easing, the three-month Treasury bill rate fell to 2.13 percent in fiscal 2002 from 5.13 percent in 2001. The T-bill rate is expected to decline even further to 1.70 percent in fiscal 2003. Next summer, when the recovery is firmly established, the Fed will begin tightening again. The forecast expects an increase in the T-bill rate to 2.64 percent in fiscal 2004 and 4.31 percent in 2005. Mortgage rates also continued to decline in fiscal 2002 to 6.88 percent from 7.45 percent in 2001 and 8.05 percent in 2000 as a result of the easier monetary policy as well as the slumping economy. The forecast expects the mortgage rate to decline further to 6.39 percent this year, rising to 7.45 percent and 8.26 percent in 2004 and 2005.

4. Housing starts increased 4.4 percent in fiscal 2002 to 1.640 million units. The resilient housing market has helped stabilize the economy during the recession. Since there was no housing slump during the recession, there little pent-up demand and therefore no reason to expect a strong rebound during the recovery. The forecast expects housing starts to decline 3.4 percent in fiscal 2003 to 1.585 million units. Only a modest recovery is expected in the next two years as the beneficial impact of an improving economy is offset by another upturn in interest rates. The forecast calls for a 0.7 percent increase to 1.595 million units in 2004 followed by a 0.4 percent increase to 1.602 million units in 2005.
5. Though the recession was relatively mild in terms of the decline in GDP, the rise in unemployment has been much more typical. On a quarterly basis the unemployment rate has already risen from 3.97 percent in the fourth quarter of 2000 to 5.90 percent in the second quarter of 2002. Though the forecast assumes the recession is over, the unemployment rate is expected to continue to rise. By the fourth quarter of this year it is expected to reach a peak of 6.10 percent. Because the starting rate was so low, this peak is among the lowest in postwar history. On a fiscal year basis, the forecast expects the unemployment rate to climb from 4.19 percent in 2001 to 5.48 percent in 2002 and 6.05 percent in 2003 before declining to 5.63 percent and 5.07 percent in 2004 and 2005.
6. From fiscal 2001 to fiscal 2002 the federal budget went from a record \$181.3 billion surplus (national income and product accounts basis) to a \$91.8 billion deficit. The recently enacted tax cuts and the recession cut sharply into revenue. On top of this, the forecast assumes additional military and homeland security spending. The deficit is expected to swell to \$206.3 billion in 2003 before an expanding economy cuts the deficit to \$103.9 billion in 2004 and \$95.1 billion in 2005.
7. The trade deficit has been, and will continue to be, a huge drag on GDP growth though nominal net exports (national income and product accounts basis) temporarily improved in fiscal 2002 to \$362.5 billion from \$379.1 billion in 2001. Weak growth abroad and the strong dollar caused exports to decline in 2002 but the U.S. recession resulted in an even larger drop in imports. Since the U.S. recovery is expected to lead recoveries abroad, the trade gap is expected to resume its upward trend during the next three years. The forecast expects a trade deficit of \$420.3 billion in 2003, \$442.6 billion in 2004, and \$471.7 billion in 2005.

[**Table 1.1**](#) provides a fiscal year summary of the U.S. economic indicators.

Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through July 2002. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. Washington payroll employment fell at a 1.7 percent rate in the second quarter of 2002 following a 2.6 percent decline in the first quarter and a 2.2 percent decline for all four quarters of 2001. This was the sixth consecutive quarterly decline in overall employment in Washington. The cumulative reduction now stands at 3.3 percent which is more than twice the national peak-to-trough decline of 1.3 percent. Only twice in the last forty years has Washington seen a more precipitous decline: during the recessions of 1969-71 and 1981-82. Manufacturing employment fell at a 6.3 percent annual rate in the second quarter, the sixteenth consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at a 13.9 percent annual rate in the second quarter following a 23.7 percent drop in the first quarter. Manufacturing employment other than aerospace showed signs of stabilizing, falling only 3.6 percent in the second quarter of 2002 compared to an 8.1 percent decline in the first quarter and 9.4 percent during 2001. Nonmanufacturing employment declined at a 1.0 percent annual rate in the second quarter of 2002, which was the mildest decline in a year. Most major nonmanufacturing sectors continued to decline in the second quarter including transportation, communications, and utilities (down 4.3 percent) and trade (down 3.9 percent). Construction and finance, insurance, and real estate each fell 2.1 percent. Services, the state's largest sector, showed positive growth for the first time since 2000 with a 1.2 percent gain while government employment continued to expand, rising at a 0.7 percent rate.

In July 2002 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the fourth quarter of 2001 and released preliminary estimates for the first quarter of 2002. In addition, the wage estimates for the first quarter of 2002 have been adjusted to reflect the Covered Employment and Payrolls data produced by the Department of Employment Security. The nonwage components have also been adjusted to reflect the expected impact of the NIPA revisions on state personal income (see [Adjustments to Economic Data](#)). According to the adjusted estimates, Washington's personal income in the first quarter of 2002 was \$ 7.773 billion (4.2 percent) higher than expected in the June forecast. First quarter wages were a whopping \$4.963 billion (4.7 percent) higher than expected in June though most of the discrepancy was one-time in nature. Software wages were \$1.653 billion (36.1 percent) higher as a result of a change in the way the BEA will seasonally adjust services wages in the future. Excluding this impact, software wages were \$0.002 billion (0.0 percent) lower than expected in June. The change in seasonal adjustment methodology only affects the first quarter estimate. The covered employment and payrolls data also indicate that non-software wages were \$3.310 billion (3.3 percent) higher than expected in June. This is the third year in which the covered employment and payrolls data show a spike in the first quarter following a weak fourth quarter. We believe that this indicates a shifting seasonal pattern and will largely be offset in the second quarter. As a result, we have reduced the wage estimate for the second quarter and beyond by \$2.091 billion. Even after these one-time adjustments, however, wages are \$1.217 billion (1.1 percent) higher than assumed in June. Our estimate of nonwage personal income in the first quarter of 2002 was \$2.811 billion (3.5 percent) higher than in the June forecast. This unusually large revision to the estimate of nonwage income was due almost entirely to the incorporation of our estimate of the impact the recent NIPA revisions will have on state personal income. Excluding this adjustment, the revision was only \$0.195 billion (0.2 percent). The total wage and nonwage increase to the level of personal income

that we believe will be sustained beyond the first quarter is \$4.028 billion (2.2 percent).

In spite of the weak economy, the number of housing units authorized by building permit jumped 7,600 to 43,800 in the second quarter of 2002 from 36,200 in the first quarter. Single family permits increased 3,700 to 32,200 while the number of multi-family units authorized soared 3,900 to 11,600.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate developed by the Department of Employment Security and the Office of the Forecast Council. The alternative employment estimate incorporated the covered employment and payrolls data through the first quarter of 2002 which subtracted 10,800 (0.4 percent) from the Current Employment Statistics (CES) estimate for March 2002. In addition, the growth pattern from March 2002 through July 2002 was adjusted to reflect the average historical revision between the preliminary (sample based) estimates and the final (covered employment and payrolls based) estimates subtracting an additional 3,900 (0.1 percent). The total effect of the adjustments was to reduce the July 2002 employment estimate by 14,700 (0.6 percent).

The BEA will eventually benchmark its 2002 estimates for wage and salary disbursements to the covered employment and payrolls (ES202) data for all sectors except agriculture and federal government. In addition, we have one more quarter of ES202 data than was available to the BEA at the time of its most recent release. For these reasons, we derived wage estimates for these sectors for the first quarter of 2002 based on the ES202 data. These adjustments added \$0.327 billion (0.3 percent) to wages in the first quarter. Normally we use the official BEA estimates for the nonwage personal income components however the annual NIPA revision showed a very large increase in nonwage personal income which we believe will be reflected in the next state personal income release. As a result, we increased nonwage income by \$2.615 billion (3.3 percent) in the first quarter of 2002. Unadjusted BEA estimates were used for farm, federal civilian, and military wages. Our wage and nonwage personal income adjustments increased first quarter personal income by \$2.943 billion (1.5 percent).

Washington State Forecast Highlights

The state's economy now appears to be lagging behind the national economy by an even greater margin than expected in June. We continue to believe that the Washington economy bottomed out around mid-year but we expect very little growth in the second half of 2002. The weaker recovery assumed in the new national forecast also reduces growth in Washington. The aerospace forecast for Washington remains similar to the forecasts adopted last November, February, and June. We believe that the reductions have totaled about 17,600 by August, including contract workers and non-Boeing aerospace workers, compared to a reduction of 19,900 assumed in November and 19,700 in our last forecast. However the current forecast assumes the decline will be steeper and will extend through the end of 2003 rather than bottoming out at mid-year as in the earlier forecasts. The forecast assumes there will be no work stoppage at Boeing due to the labor dispute. As in June, the forecast also assumes an increase in employment related to the construction of the nuclear waste vitrification plant at Hanford from the current level of about 2,500 to a peak of 4,500. Employment is expected to drop off sharply after the peak in mid-2004, reaching 2,500 by the end of 2005. The software wage assumption is essentially unchanged. Also, as in June, the forecast assumes there will be no major fluctuations in Microsoft stock option activity. In 2002 we are experiencing the first ever year-over-year declines in software employment. In the third quarter the year-over-year

decline was 900. The forecast expects an increase of 1,400 during the next year compared to 2,600 in the previous forecast.

Washington wage and salary employment fell 0.6 percent in 2001 following a 2.4 percent increase in 2000. The combination of the national recession and severe cutbacks in aircraft manufacturing is expected to result in a 2.1 percent decline in 2002. The recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn is expected until 2004. The forecast calls for an employment growth rate of 1.1 percent in 2003, improving to 2.2 percent and 2.1 percent in 2004 and 2005. Washington personal income growth slowed sharply in 2001 to 2.3 percent from 6.9 percent in 2000. Excluding the volatile software sector the slowdown was from 8.4 percent to 3.0 percent. Personal income growth is expected to remain weak in 2002 due to the weak national economy and Boeing layoffs. The forecast expects personal income to grow 2.4 percent in 2002, gradually improving to 3.9 percent in 2003, 5.1 percent in 2004, and 5.8 percent in 2005. The forecast expects housing permits to increase from 38,300 in 2001 to 39,400 in 2002 mainly as a result of the very strong second quarter activity but weak income and population growth and rising unemployment will depress housing for the next couple of years. The forecast expects housing permits to decline to 37,900 in 2003 and 37,700 in 2004 before recovering to 39,400 in 2005.

1. Nominal personal income growth continued to slow to 1.8 percent in fiscal 2002 from 3.9 percent in 2001 and 8.3 percent in 2000. Declining employment in fiscal 2002 was largely responsible for the slowdown but average wage growth, outside of the software sector, was cut almost in half, from 5.0 percent in 2001 to 2.6 percent in 2002 (the collapse of software wages occurred a year earlier). Nonwage income growth also slowed due to the impact of lower interest rates. The forecast assumes that changes in software stock option income will not be a major factor in personal income growth during the remainder of the forecast. Fiscal 2002 was the low point in the cycle. Income growth should gradually improve during the next three years due to a variety of factors including the resumption of positive employment growth, stronger population growth, and higher interest rates. Washington personal income growth is expected to accelerate to 3.3 percent in 2003, 4.5 percent in 2004, and 5.5 percent in 2005.
2. Washington real personal income growth plummeted to just 0.5 percent in fiscal 2002 from 1.4 percent in 2001 and 5.9 percent in 2000. The decline in growth in 2002 came in spite of a dip in inflation, which usually translates into higher real income growth. In addition to the obvious impact of the recession on employment, the poor performance of real income growth in recent years is probably due to the collapse of option and bonus income, which had ballooned in the late 1990s, rather than reflecting the trend of ordinary wages. Real income growth is expected to improve to 1.0 percent in 2003, and 1.7 percent in 2004, and 2.9 percent in 2005.
3. The recession has had a disproportionate impact on Washington employment growth. Total payroll employment in Washington fell 2.1 percent in fiscal 2002 compared to just 0.8 percent for the nation as a whole. The events of September 11 have been particularly hard on Washington employment growth due to the devastating impact on air transportation. The dot-com collapse and correction in the construction sector were also exceptionally severe in Washington. While we believe the construction and IT related corrections are largely complete, the continuing drag from aerospace sector means that Washington will continue to lag the U.S. in the near future. The forecast expects an employment decline of 0.5 percent in

2003. Positive employment growth is expected to resume in the next biennium with growth rates of 1.8 percent in fiscal 2004 and 2.3 percent in 2005.

- ◆ Lumber and wood products employment rose 300 in the second quarter of 2002 to 30,200. This was the first quarterly increase in more than two years. The decline from the beginning of 2000 through the first quarter was 4,100. The forecast assumes that the first quarter was the trough in the current recession. Though Washington's lumber and wood products employment growth is expected to continue to trail the national average, employment is expected to rise throughout the remainder of the forecast. The forecast expects an increase of about 3,000 by the end of 2005.
- ◆ Prior to September 11, it appeared that the aerospace downturn, which resulted in the loss of 27,700 jobs between the second quarter of 1998 and the end of 2000, was over. Washington aerospace employment actually rose 1,600 during the first three quarters of 2001. In the wake of the attacks, Boeing announced that it intended to cut 20,000 to 30,000 jobs company-wide. The majority of the reductions will be in Washington State, the home of the commercial airplane unit. A total of 10,300 aerospace jobs were cut between the third quarter of 2001 and second quarter of 2002 not counting contract employees. Overall, the forecast assumes a decline of 21,400 aerospace workers and thousands more Boeing contract employees in Washington between the third quarter 2001 and the end of 2003. Measured from the second quarter of 1998 peak, the overall decline will reach 47,600 not counting the contract employees. A gradual upturn in the final two years of the forecast is expected to add 6,800 aerospace employees in Washington by the end of 2005.
- ◆ The last half of the 1990s saw a huge expansion of Washington's construction industry. The decline during the last six quarters has been just as precipitous. Since the end of 2000 the construction industry has shed 11,500 jobs, a 7.2 percent drop. In contrast, the decline in U.S. construction employment over the same six quarters was only 1.9 percent. We believe we have reached the bottom in the construction cycle. The reductions in the first half of 2002 were much smaller than the 2001 declines and the monthly data indicate an increase of 1,600 in the third quarter. Though a modest upturn in the economy is expected beginning in the second half of 2002, weaker housing activity and slow population and employment growth will stave off any recovery in construction employment until 2004. The forecast assumes virtually no change in construction employment between the third quarter of this year and the end of 2003 followed by an annual average growth rate of 0.9 percent per year in 2004 and 2005.
- ◆ Until recently, the finance, insurance, and real estate sector has been a rare bright spot in Washington's economy. Employment in this sector rose at a 3.6 percent during 2001 while total payroll employment declined 2.2 percent. The growth was mostly in finance, which has clearly benefited by a refinancing boom brought on by low mortgage interest rates. This source of stimulus has probably pretty much played itself out. Employment declined at an average annual rate of 1.8 percent during the first half of this year and seems poised for a slight decline in the third quarter. Stronger growth is expected to resume beginning in the fourth quarter of 2002. The forecast assumes an average growth rate of 3.0 percent per year during the remainder of the forecast.
- ◆ The second quarter of 2002 marked the fifth consecutive contraction in Washington retail trade employment. The rate of decline actually accelerated in the second quarter to

- 3.4 percent from an average rate of 2.9 percent during the previous four quarters. The drop in consumer confidence, slow population growth, and weak economy have been particularly hard on retail trade employment. In addition, many struggling e-tailing firms such as Amazon.com are classified as retailers. Retail trade employment is expected to decline in the second half of this year but at a more moderate 1.3 percent average rate. Employment growth is expected to turn positive again in 2003. The expected average annual growth rate for the final three years of the forecast is 1.2 percent.
- ◆ Services employment registered its first positive quarter in more than a year in the second quarter of 2002 with a 1.2 percent growth rate. During the previous year services employment fell 2.3 percent. (The huge drop in services employment in the first quarter of 2001 should be disregarded as it is almost entirely the result of a noneconomic reclassification of tribal employees who had previously been considered private sector employees but are now considered local government employees). Washington's services sector hasn't experienced such a sharp year-over-year decline since 1963. Virtually all of the year-over-year decline in services was in business services where employment fell 12.8 percent over the year. Prepackaged software actually grew slightly over the year but other computer and data processing services, the home of many information technology companies, plunged 28.7 percent. The rest of business services fell 11.8 percent over the year mainly as a result of a 23.8 percent drop in personnel supply services. These areas of weakness appear to be turning around. Computer services other than software declined at a more moderate rate of 6.8 percent in the second quarter and personnel supply services rose at a 16.1 percent rate. The forecast assumes that the shakeout in these areas is complete and that software employment growth will pick up. Without these negative cyclical factors, services employment is expected to resume its above average trend growth rate. Growth in the second half of this year is expected to average 2.4 percent picking up to an average rate of 3.6 percent per year in 2003, 2004, and 2005.
 - ◆ State and local government employment grew at a 1.4 percent annual rate in the second quarter of 2002 and 2.4 percent over the previous year. (The huge increase in state and local government employment in the first quarter of 2001 should be disregarded as it is almost entirely the result of a noneconomic reclassification of tribal employees who had previously been considered private sector employees but are now considered local government employees). Though state and local government employment has been a source of strength during the recession, the slowdown in the state's economy is putting pressure on state and local governments' budgets and is expected to affect employment in this sector with a lag. The forecast assumes that state and local government employment will decline for the next year and a half at an average annual rate of 0.7 percent. The weak nature of the recovery coupled with essentially no growth in the school age population is expected to restrain state and local government employment growth to just 0.2 percent per year during the final eight quarters of the forecast.
4. Declining mortgage rates were unable to overcome the depressing impact of lower consumer confidence, rising unemployment, weak income growth, and slow population growth on housing activity in fiscal 2002. The number of housing units authorized by building permit fell 5.4 percent to 38,200 from 40,400 in 2001. The absence of pent-up demand means that not much of a rebound in housing can be expected. The forecast expects only a

0.5 percent increase in fiscal 2003 to 38,400. When the economic recovery finally gets on track in the next biennium, higher mortgage rates will offset the positive impact of stronger job and income growth resulting in a flat housing market. The forecast expects a 2.1 percent decline in fiscal 2004 to 37,600 followed by a 1.9 percent increase to 38,300 in 2005.

5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, slowed in fiscal 2002 to 2.7 percent from 4.0 percent in 2001. The comparable U.S. inflation rate declined from 3.4 percent to 1.8 percent during the same period. Both the U.S. and Seattle indices benefited from declining energy costs in 2002. Excluding food and energy, the decline in Seattle's CPI inflation would have been much smaller, from 3.1 percent to 2.8 percent while the national index would have held steady at 2.6 percent. Seattle inflation is expected to drop below U.S. inflation in during the remainder of the forecast due to the much weaker local economy. The forecast expects inflation rates of 2.4 percent, 2.5 percent, and 2.4 percent in Seattle compared to 2.7 percent, 3.0 percent, and 2.7 percent for the U.S. city average.

[Table 1.2](#) provides a fiscal year summary of the state economic indicators.

Alternative Forecasts

As required by statute, the Forecast Council has also adopted two alternatives to the baseline forecast. One of these was based on more optimistic economic assumptions than the baseline and one was based on more pessimistic assumptions. These alternatives are summarized in [Table 1.3](#).

Pessimistic Forecast: Despite rapid first-quarter GDP growth and solid increases in productivity, companies are having trouble generating profits. In an effort to improve the bottom line despite lagging revenues, businesses are likely to delay investment and postpone hiring to an even greater extent than in the baseline forecast. The end of the inventory cycle carries the economy through the second half, but final demand lags as investment stagnates and consumers become more cautious. Fearful that the volatile stock market will drag the economy back into recession, the FOMC lowers the federal funds rate to 1.25%. The lower rates keep the economy afloat, but barely. When the United States moves into Iraq next spring to topple Saddam Hussein, oil prices spike and consumer confidence plunges. The situation never deteriorates enough to cause a "double-dip" recession, largely because of a steady increase in federal spending, not only to fight the war and beef up domestic security, but also to ferret out and punish corporate wrongdoing. After the first-quarter surge, real GDP growth stumbles along in the 0.0-1.6% range through summer 2003. The unemployment rate rises to 6.8% because most of the growth is achieved through productivity gains, leaving little to absorb the new workers entering the labor force. By mid-2003, with the Middle East quiet and oil prices back down, pent-up demand kicks the economy into a strong recovery mode. At the state level, aerospace production and employment cuts are even more severe and protracted than assumed in the baseline forecast with only a very modest upturn beginning in the fourth quarter of 2002. Washington's wage growth and inflation are lower than in the baseline and the initial level of Washington personal income is lower. Population growth is also slower in this scenario and the downturn in construction employment extends through the end of 2003. By the end of the 2001-03 biennium, Washington nonagricultural employment is lower by 33,200 jobs than in the baseline forecast and Washington personal income is \$5.8 billion lower. The pessimistic scenario produced \$280 million (1.3 percent) less General Fund-State revenue in the 2001-03 biennium than did the baseline forecast.

Optimistic Forecast: Despite the second-quarter slowdown, the economy's fundamentals remain solid. What is lacking, though, is confidence. Investors, rattled by accounting scandals, have dragged the S&P 500 down nearly 30% since the beginning of the year. In recent weeks, consumer confidence has also dropped. Businesses are also under stress, and may hold up spending on major capital investments until the outline of the recovery is clearer. In the optimistic scenario, consumer and business confidence returns to more normal levels, resulting in a stronger rise in the stock market than in the baseline, and an earlier pickup in business investment. The economy grows 4.0% and 4.7% in the third and fourth quarters of 2002, compared with 3.4% in both quarters in the baseline; 2003 growth is 4.1%, compared with 3.4% in the baseline. Since the inflation rate is about the same as in the trend, monetary policy is the same. Investors have lost confidence in the integrity of corporate financial statements, and further Fed interest rate cuts, or cheerleading by the Bush administration, will do little to cheer them up. American institutions need to change. Fortunately, our institutions are malleable when money is at stake. Congress, the Bush administration, the Financial Accounting Standards Board, and the Securities and Exchange Commission are all working furiously to tighten and fine tune the laws; corporate boards and CEOs are opening up the books and working just as hard to convince stockholders that all is above board. And the Justice Department is stocking up on handcuffs. The optimistic forecast assumes that confidence is restored sooner rather than later. Growth is higher than in the baseline, simply because the economy returns to trend growth a few quarters sooner. Locally, the decline in Washington aerospace employment is less severe than in the baseline forecast and the recovery is more robust. Washington's wages grow faster than in the baseline and the Seattle CPI grows faster relative to the U.S. CPI. The initial level of Washington personal income is also higher in the optimistic scenario. Construction employment also turns up earlier and more vigorously than in the baseline. Population growth is also stronger in the optimistic scenario. By the end of the 2001-03 biennium, Washington nonagricultural employment is higher by 26,300 jobs than in the baseline forecast and Washington personal income is \$4.9 billion higher. The optimistic scenario generated \$273 million (1.3 percent) more revenue in the 2001-03 biennium than did the baseline forecast.

Governor's Council of Economic Advisors Scenario

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in [Table 1.3](#). In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. With fiscal 2002 now complete, the differences show up only in fiscal 2003. Nationally the Governor's Council members expected lower inflation and slightly weaker GDP growth in 2003 than assumed in the baseline forecast. Their long term and short term interest rate forecasts were higher than in the baseline, however. The GCEA forecast for Washington State indicated stronger employment growth and real personal income growth in 2003 than did the baseline forecast. Nominal personal income growth was weaker, however, due to the lower inflation assumption. The GCEA members expected a slightly higher level of housing activity in 2003. At the end of the 2001-03 biennium, Washington nonagricultural employment was just 1,900 higher in the GCEA forecast than in the baseline forecast but their Washington personal income forecast was \$0.3 billion lower. The Governor's Council scenario generated \$17 million (0.1 percent) less revenue in the 2001-03 biennium than did the baseline forecast.

Table 1.1
U.S. Economic Forecast Summary
Forecast 2003 to 2005

Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	8,332.2	8,676.3	9,057.5	9,221.4	9,296.6	9,594.9	9,930.7	10,228.6
% Ch	4.4	4.1	4.4	1.8	0.8	3.2	3.5	3.0
Real Consumption	5,551.4	5,820.7	6,105.9	6,304.9	6,473.2	6,668.6	6,853.5	7,044.1
% Ch	4.4	4.9	4.9	3.3	2.7	3.0	2.8	2.8
Real Nonresidential Fixed Investment	1,078.9	1,182.5	1,280.5	1,310.8	1,205.0	1,211.5	1,338.7	1,449.3
% Ch	13.5	9.6	8.3	2.4	-8.1	0.5	10.5	8.3
Real Residential Fixed Investment	329.7	359.9	374.0	370.7	379.3	384.6	383.8	387.4
% Ch	4.3	9.2	3.9	-0.9	2.3	1.4	-0.2	0.9
Real Personal Income	7,004.8	7,336.2	7,619.9	7,912.9	7,978.1	8,167.4	8,349.3	8,576.9
% Ch	5.1	4.7	3.9	3.8	0.8	2.4	2.2	2.7
Real Per Capita Income (\$/Person)	25,983	26,968	27,762	28,574	28,551	28,969	29,356	29,898
% Ch	4.1	3.8	2.9	2.9	-0.1	1.5	1.3	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.087	1.101	1.126	1.157	1.186
% Ch	1.4	1.2	2.2	2.5	1.3	2.3	2.7	2.5
U.S. Consumer Price Index (1982-84=1.0)	1.618	1.646	1.693	1.751	1.782	1.830	1.884	1.936
% Ch	1.8	1.7	2.9	3.4	1.8	2.7	3.0	2.7
Employment Cost Index (June 1989=1.0)	1.330	1.380	1.431	1.487	1.541	1.597	1.653	1.711
% Ch	3.9	3.7	3.8	3.9	3.6	3.6	3.5	3.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	8,548.6	9,016.4	9,575.8	9,976.6	10,233.4	10,776.9	11,458.5	12,084.6
% Ch	6.0	5.5	6.2	4.2	2.6	5.3	6.3	5.5
Personal Income	7,178.5	7,611.1	8,082.4	8,599.7	8,784.8	9,198.6	9,659.5	10,168.5
% Ch	6.6	6.0	6.2	6.4	2.2	4.7	5.0	5.3
Employment (Millions)								
U.S. Civilian Labor Force	137.0	138.6	140.3	141.3	142.1	143.5	145.8	147.9
Total U.S. Employment	130.6	132.5	134.5	135.4	134.3	134.9	137.6	140.4
Unemployment Rate (%)	4.65	4.38	4.09	4.19	5.48	6.05	5.63	5.07
Wage and Salary Employment	124.31	127.36	130.54	132.17	131.14	131.49	134.22	136.71
% Ch	2.7	2.5	2.5	1.3	-0.8	0.3	2.1	1.9
Manufacturing	18.81	18.67	18.51	18.24	17.09	16.83	16.93	17.18
% Ch	1.4	-0.8	-0.8	-1.5	-6.3	-1.5	0.6	1.5
Durable Manufacturing	11.16	11.15	11.12	11.02	10.19	9.94	9.92	10.08
% Ch	2.7	-0.2	-0.3	-0.9	-7.5	-2.5	-0.1	1.6
Nondurable Manufacturing	7.64	7.52	7.39	7.22	6.90	6.90	7.01	7.10
% Ch	-0.5	-1.6	-1.7	-2.3	-4.4	-0.1	1.7	1.3
Nonmanufacturing	105.50	108.69	112.03	113.93	114.04	114.66	117.28	119.52
% Ch	2.9	3.0	3.1	1.7	0.1	0.5	2.3	1.9
Services	36.81	38.27	39.82	40.86	40.98	41.67	43.07	44.50
% Ch	4.5	4.0	4.0	2.6	0.3	1.7	3.4	3.3
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	20.3	20.5	20.9	21.6	22.0	21.6	21.9	22.2
Auto Sales (Millions)	8.2	8.3	9.0	8.5	8.2	8.2	8.2	7.9
% Ch	-2.1	2.0	8.0	-5.0	-4.4	0.8	0.0	-4.6
Housing Starts (Millions)	1.530	1.659	1.638	1.571	1.640	1.585	1.595	1.602
% Ch	5.0	8.4	-1.3	-4.1	4.4	-3.4	0.7	0.4
Federal Budget Surplus (Billions)	-1.5	81.1	166.6	181.3	-91.8	-206.3	-103.9	-95.1
Net Exports (Billions)	-117.7	-191.9	-311.3	-379.1	-362.5	-420.3	-442.6	-471.7
3-Month Treasury Bill Rate (%)	5.04	4.49	5.23	5.13	2.13	1.70	2.64	4.31
30-Year U.S. Govt. Bond Rate (%)	6.10	5.43	6.14	5.66	5.49	5.27	6.50	6.97
Bond Index of 20 G.O. Munis. (%)	5.24	5.08	5.82	5.35	5.14	4.71	5.69	6.17
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.88	6.39	7.45	8.26

Table 1.2
Washington Economic Forecast Summary
Forecast 2003 to 2005

Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	152.625	161.978	171.567	174.046	174.956	176.622	179.649	184.944
% Ch	6.4	6.1	5.9	1.4	0.5	1.0	1.7	2.9
Real Wage and Salary Disb.	87.471	94.724	102.539	101.683	100.607	99.198	101.421	104.922
% Ch	8.5	8.3	8.3	-0.8	-1.1	-1.4	2.2	3.5
Real Nonwage Income	65.154	67.254	69.028	72.363	74.349	77.425	78.228	80.022
% Ch	3.6	3.2	2.6	4.8	2.7	4.1	1.0	2.3
Real Per Capita Income (\$/Person)	26,593	27,833	29,141	29,183	28,996	28,973	29,168	29,656
% Ch	4.8	4.7	4.7	0.1	-0.6	-0.1	0.7	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.087	1.101	1.126	1.157	1.186
% Ch	1.4	1.2	2.2	2.5	1.3	2.3	2.7	2.5
Seattle Cons. Price Index (1982-84=1.0)	1.653	1.702	1.757	1.828	1.876	1.921	1.969	2.016
% Ch	2.9	3.0	3.2	4.0	2.7	2.4	2.5	2.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.43	15.97	16.42	17.16	17.95	18.25	18.49	18.75
% Ch	3.1	3.5	2.8	4.5	4.6	1.7	1.3	1.4
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	155.940	167.757	181.793	188.963	192.491	198.548	207.309	218.648
% Ch	8.0	7.6	8.4	3.9	1.9	3.1	4.4	5.5
Personal Income	156.415	168.051	181.969	189.149	192.641	198.918	207.840	219.266
% Ch	7.9	7.4	8.3	3.9	1.8	3.3	4.5	5.5
Disposable Personal Income	134.218	143.433	154.400	160.045	166.513	173.913	180.125	189.936
% Ch	7.1	6.9	7.6	3.7	4.0	4.4	3.6	5.4
Per Capita Income (\$/Person)	27,253	28,876	30,907	31,714	31,926	32,630	33,745	35,159
% Ch	6.2	6.0	7.0	2.6	0.7	2.2	3.4	4.2
Employment (Thousands)								
Washington Civilian Labor Force	3,016.4	3,063.5	3,065.7	3,021.9	3,006.7	3,044.0	3,088.9	3,144.6
Total Washington Employment	2,877.5	2,916.5	2,917.1	2,850.8	2,797.1	2,826.8	2,877.9	2,943.3
Unemployment Rate (%)	4.61	4.80	4.85	5.67	6.97	7.14	6.83	6.40
Wage and Salary Employment	2,558.2	2,621.3	2,684.4	2,717.1	2,658.8	2,646.5	2,694.5	2,756.0
% Ch	3.8	2.5	2.4	1.2	-2.1	-0.5	1.8	2.3
Manufacturing	378.5	373.0	356.7	348.9	322.5	306.6	306.4	314.8
% Ch	5.9	-1.5	-4.4	-2.2	-7.5	-4.9	-0.1	2.8
Durable Manufacturing	270.0	264.7	247.9	242.1	222.3	207.5	205.3	211.6
% Ch	8.7	-2.0	-6.4	-2.3	-8.2	-6.7	-1.1	3.1
Aerospace	111.2	107.7	90.0	86.6	82.7	71.0	66.6	69.2
% Ch	16.1	-3.1	-16.4	-3.8	-4.5	-14.1	-6.3	4.0
Nondurable Manufacturing	108.5	108.3	108.9	106.8	100.2	99.2	101.1	103.2
% Ch	-0.7	-0.2	0.5	-1.9	-6.1	-1.1	2.0	2.1
Nonmanufacturing	2,179.7	2,248.4	2,327.6	2,368.2	2,336.3	2,339.8	2,388.1	2,441.1
% Ch	3.4	3.2	3.5	1.7	-1.3	0.2	2.1	2.2
Construction	139.2	148.8	158.4	158.9	151.0	150.6	151.1	152.6
% Ch	4.9	6.9	6.4	0.4	-5.0	-0.3	0.3	1.0
Services	695.0	723.1	761.4	784.9	765.0	777.4	807.0	836.9
% Ch	4.9	4.0	5.3	3.1	-2.5	1.6	3.8	3.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	45.127	44.954	39.065	40.384	38.221	38.414	37.615	38.346
% Ch	18.6	-0.4	-13.1	3.4	-5.4	0.5	-2.1	1.9
Single-Family	29.346	28.252	26.372	26.761	28.029	27.731	25.320	24.843
% Ch	12.8	-3.7	-6.7	1.5	4.7	-1.1	-8.7	-1.9
Multi-Family	15.780	16.702	12.693	13.623	10.192	10.683	12.295	13.503
% Ch	31.1	5.8	-24.0	7.3	-25.2	4.8	15.1	9.8
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.88	6.39	7.45	8.26

Table 1.3
Comparison of Alternative Forecasts

	Fiscal Year 2001				Fiscal Year 2002				Fiscal Year 2003			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	9310.1	9310.1	9310.1	9310.1	9362.5	9330.6	9362.5	9362.5	9716.4	9592.0	9716.4	9716.4
%Ch	2.7	2.7	2.7	2.7	0.6	0.2	0.2	0.2	3.8	2.8	1.5	2.7
Implicit Price Deflator	1.088	1.088	1.088	1.088	1.099	1.099	1.099	1.099	1.118	1.117	1.125	1.117
%Ch	2.5	2.5	2.5	2.5	1.0	1.0	1.0	1.0	1.8	1.7	2.4	1.6
Mortgage Rate	7.45	7.45	7.45	7.45	6.91	6.91	6.92	6.95	7.20	7.24	8.04	7.37
3 Month T-Bill Rate	5.13	5.13	5.13	5.13	2.16	2.15	2.14	2.20	2.74	2.70	3.56	2.86
Washington												
Real Personal Income*	172.252	172.252	172.252	172.252	173.582	172.182	170.969	172.160	180.581	175.193	169.527	175.594
%Ch	1.1	1.1	1.1	1.1	0.8	-0.0	-0.7	-0.1	4.0	1.7	-0.8	2.0
Personal Income	187.337	187.337	187.337	187.337	190.720	189.160	187.827	189.162	201.970	195.729	190.774	196.093
%Ch	3.6	3.6	3.6	3.6	1.8	1.0	0.3	1.0	5.9	3.5	1.6	3.7
Employment	2719.7	2719.7	2719.7	2719.7	2680.4	2674.3	2670.3	2673.7	2720.5	2679.8	2651.4	2687.3
%Ch	1.4	1.4	1.4	1.4	-1.4	-1.7	-1.8	-1.7	1.5	0.2	-0.7	0.5
Housing Permits	41.087	41.087	41.087	41.087	38.676	37.618	36.868	37.233	42.042	36.917	28.256	37.821
%Ch	4.5	4.5	4.5	4.5	-5.9	-8.4	-10.3	-9.4	8.7	-1.9	-23.4	1.6

(O) Optimistic; (B) Baseline; (P) Pessimistic; (G) Governor's Council of Economic Advisors

Table 1.4

Forecast Analysis

Comparison of Forecasts for 2001-03

Forecast Date	2000				2001				2002				2003	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
U.S.														
Percent Growth, 2001:2-2003:2														
Real GDP	5.9	6.7	6.8	7.0	7.4	7.0	5.9	4.2	4.3	5.7	5.7			
Implicit Price Deflator	4.3	4.9	4.8	4.8	4.6	4.6	4.4	3.5	2.8	3.2	3.8			
Average Rate, 2001:3 to 2003:2														
3 Month T-Bill Rate	5.43	5.87	5.62	5.46	4.67	3.75	3.68	2.75	2.42	2.30	1.91			
Mortgage Rate	7.61	7.89	7.90	7.42	7.23	7.22	7.12	6.81	7.08	7.12	6.63			
Washington														
Percent Growth, 2001:2-2003:2														
Employment	3.3	4.0	3.7	3.7	3.4	3.3	2.8	0.0	-0.6	-1.2	-1.8			
Personal Income	10.1	11.4	11.3	11.8	11.6	11.3	9.7	5.5	4.2	4.1	4.6			
Real Personal Income	5.6	6.3	6.1	6.7	6.7	6.4	5.1	1.9	1.4	0.9	0.8			
Total (Thousands of units), 2001:3 to 2003:2														
Housing Units Authorized	82.1	84.3	82.7	84.8	84.3	78.8	83.2	72.9	74.5	73.6	76.6			

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2002 to 2003

	1999	2000	2001	2002	2003
U.S.					
Real GDP					
February Baseline	8675.3	9063.3	9310.1	9330.6	9592.0
% Ch	4.1	4.5	2.7	0.2	2.8
November Baseline	8675.3	9063.3	9310.1	9291.8	9565.4
% Ch	4.1	4.5	2.7	-0.2	2.9
Implicit Price Deflator					
February Baseline	1.037	1.061	1.088	1.099	1.117
% Ch	1.2	2.3	2.5	1.0	1.7
November Baseline	1.037	1.061	1.088	1.103	1.124
% Ch	1.2	2.3	2.5	1.4	1.9
U.S. Unemployment Rate					
February Baseline	4.38	4.09	4.19	5.57	6.06
November Baseline	4.38	4.10	4.17	5.67	6.10
Mortgage Rate					
February Baseline	6.93	8.05	7.45	6.91	7.24
November Baseline	6.93	8.05	7.45	6.49	7.12
3 Month T-Bill Rate					
February Baseline	4.49	5.23	5.13	2.15	2.70
November Baseline	4.49	5.23	5.13	2.23	3.26
Washington					
Real Personal Income					
February Baseline	162.140	170.364	172.252	172.182	175.193
% Ch	6.2	5.1	1.1	-0.0	1.7
November Baseline	162.140	170.364	172.350	172.918	175.941
% Ch	6.2	5.1	1.2	0.3	1.7
Personal Income					
February Baseline	168.216	180.779	187.337	189.160	195.729
% Ch	7.5	7.5	3.6	1.0	3.5
November Baseline	168.216	180.779	187.444	190.748	197.823
% Ch	7.5	7.5	3.7	1.8	3.7
Employment					
February Baseline	2621.3	2682.3	2719.7	2674.3	2679.8
% Ch	2.5	2.3	1.4	-1.7	0.2
November Baseline	2621.3	2682.3	2719.4	2694.7	2697.7
% Ch	2.5	2.3	1.4	-0.9	0.1
Housing Permits					
February Baseline	44.954	39.318	41.087	37.618	36.917
% Ch	-0.4	-12.5	4.5	-8.4	-1.9
November Baseline	44.954	39.318	41.087	37.047	35.900
% Ch	-0.4	-12.5	4.5	-9.8	-3.1

Table 1.6

Long Range Economic Outlook

Forecast 2002 to 2011

Calendar Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
U.S.*											
Real GDP, %Ch	1.1	1.0	4.0	3.9	3.0	2.9	2.9	3.3	3.4	3.6	3.4
Implicit Price Deflator, %Ch	1.9	1.0	2.2	2.3	2.2	2.2	2.2	2.3	2.3	2.3	2.5
3 Month T-Bill Rate	3.39	2.01	3.68	4.62	4.62	4.61	4.63	4.64	4.65	4.66	4.66
Mortgage Rate	6.97	7.05	7.43	7.54	7.38	7.37	7.36	7.32	7.30	7.28	7.30
State**											
Real Personal Income, %Ch	0.6	0.4	2.8	3.4	3.1	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	2.5	1.3	5.0	5.7	5.4	4.7	4.8	4.8	4.8	4.9	5.1
Employment, %Ch	-0.2	-1.3	1.4	2.3	2.3	2.0	2.0	2.0	2.0	2.0	2.0

* February 2002 Baseline (2001-2005) extended with the DRI February 2002 Trendlong Forecast.

** February 2002 Baseline (2001-2005) judgmentally extended through 2011.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonagricultural Employment

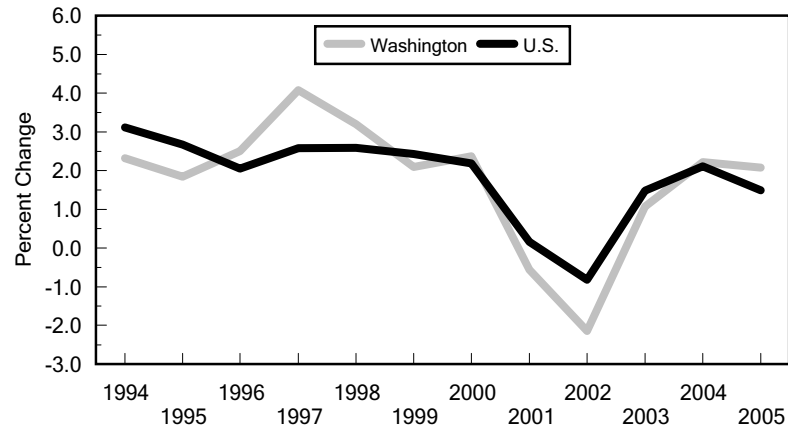


Chart 1.2
Manufacturing Employment

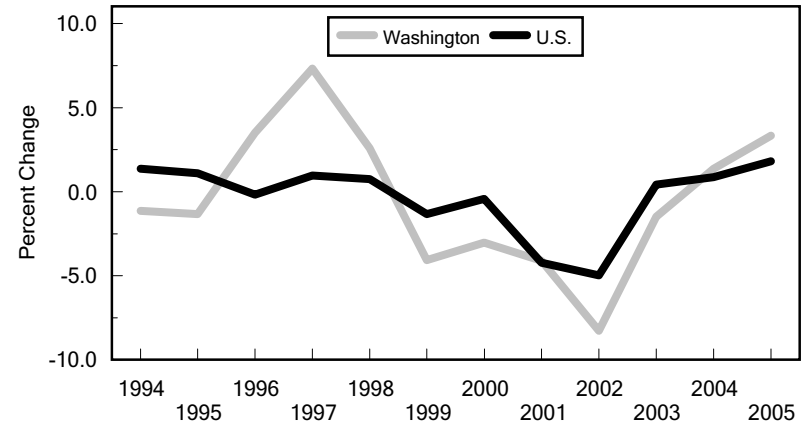


Chart 1.3
Aerospace Employment

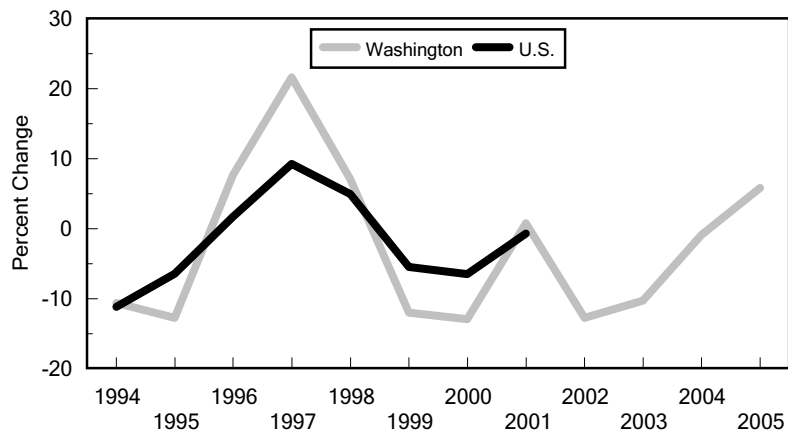
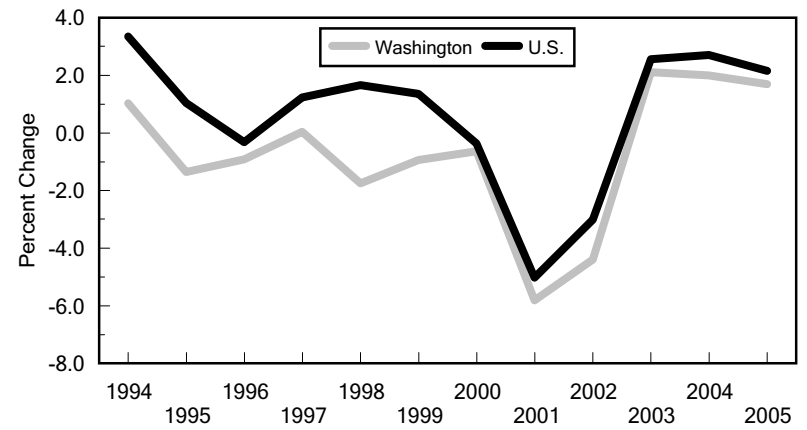


Chart 1.4
Forest Products Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

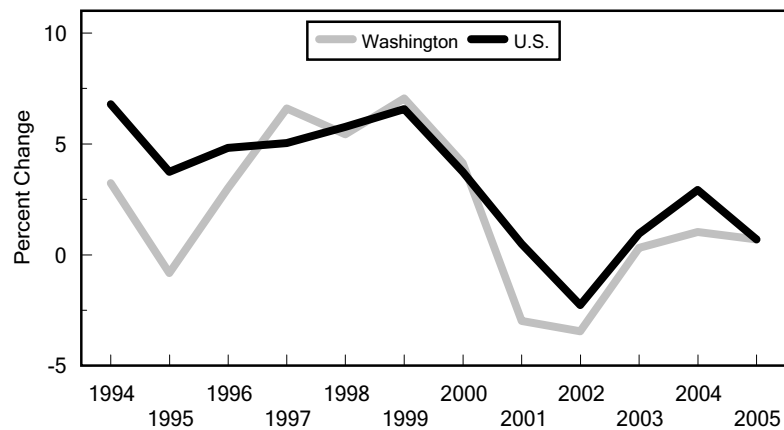


Chart 1.6
Trade Employment

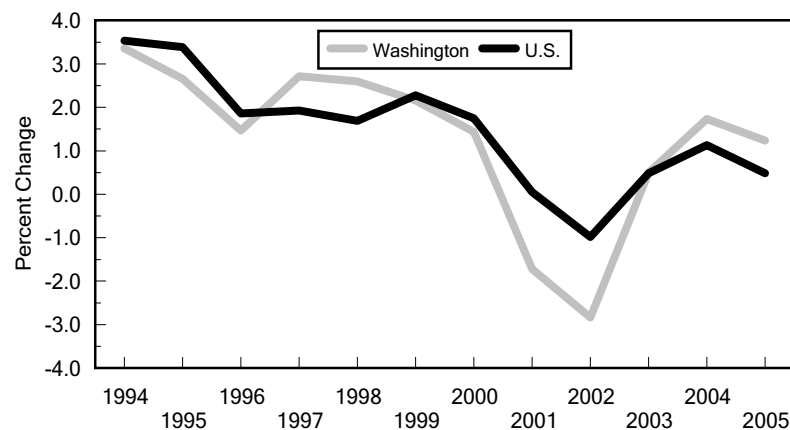


Chart 1.7
Services Employment

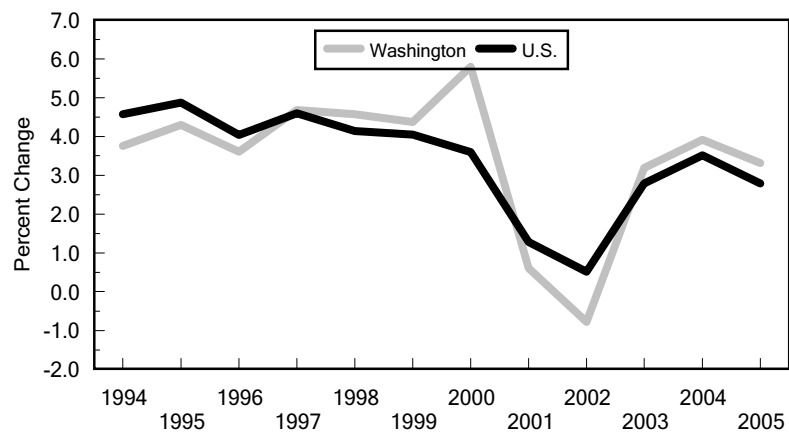
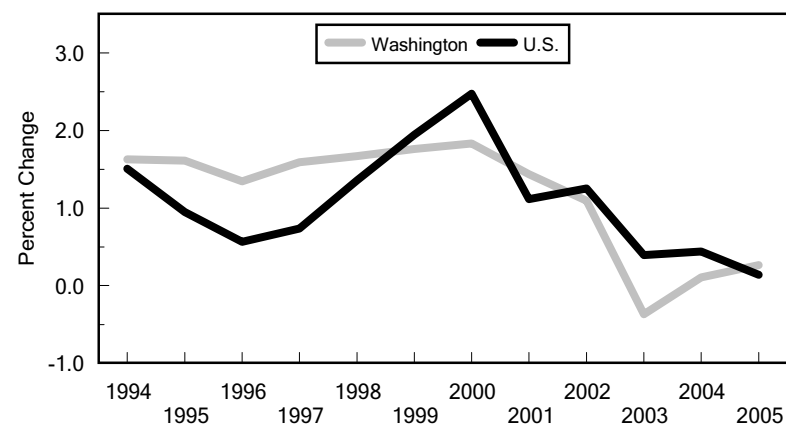


Chart 1.8
Government Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

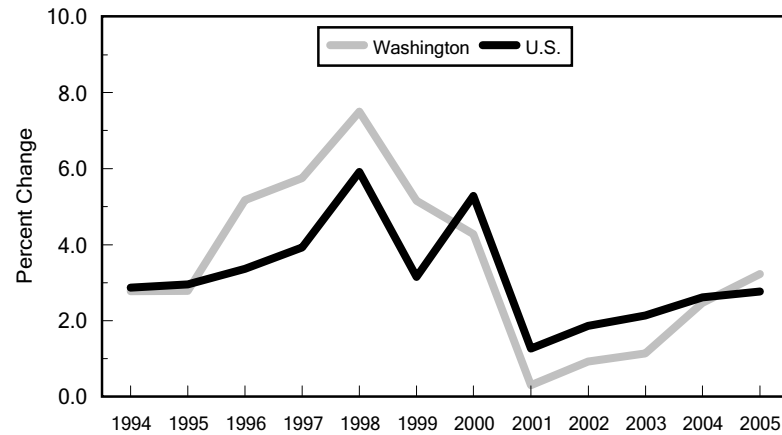


Chart 1.10
Consumer Price Indices

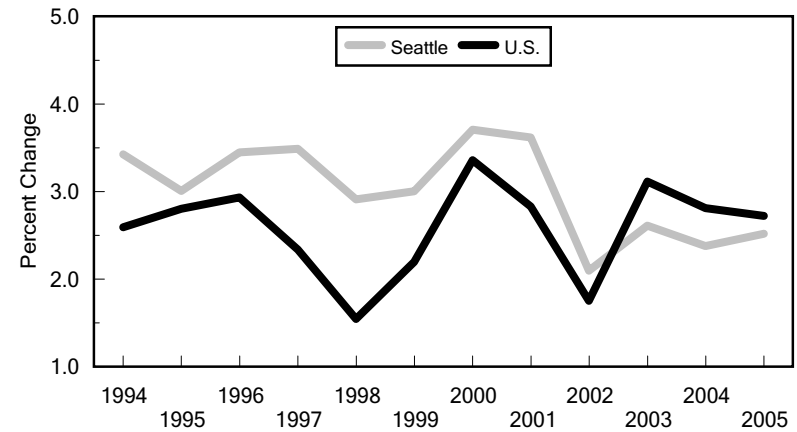


Chart 1.11
Population

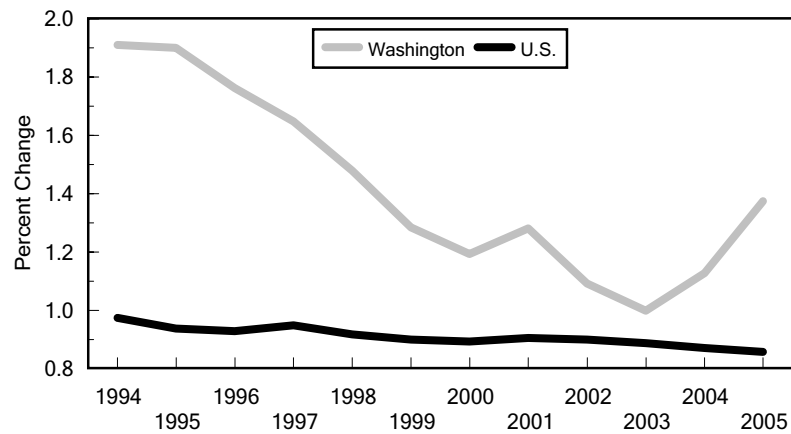
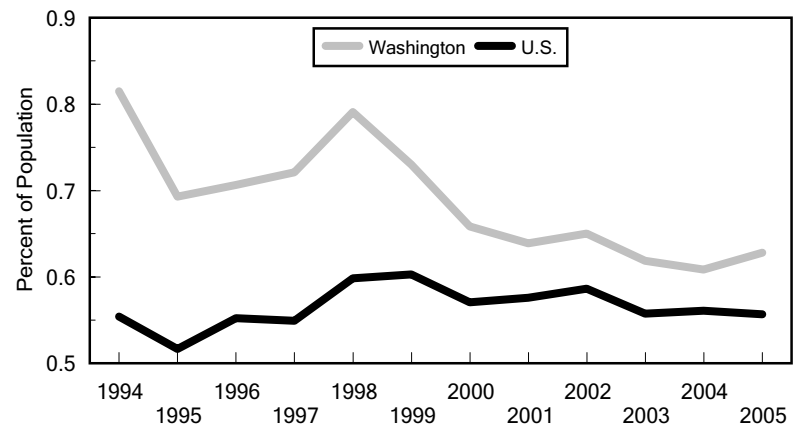


Chart 1.12
Per Capita Housing Units



Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

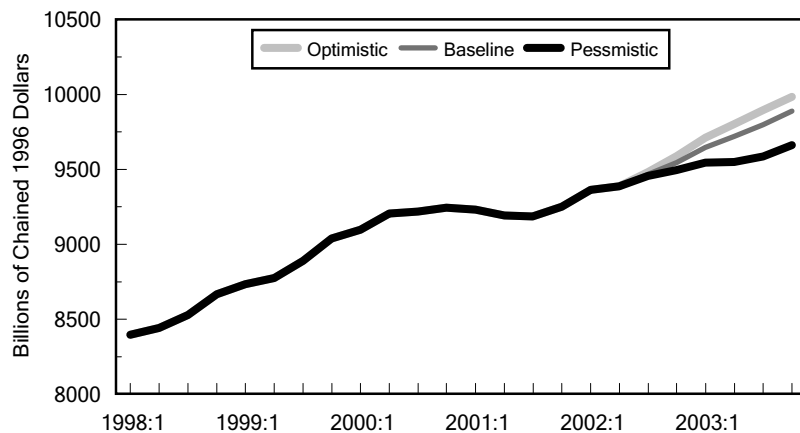


Chart 1.14
Implicit Price Deflator

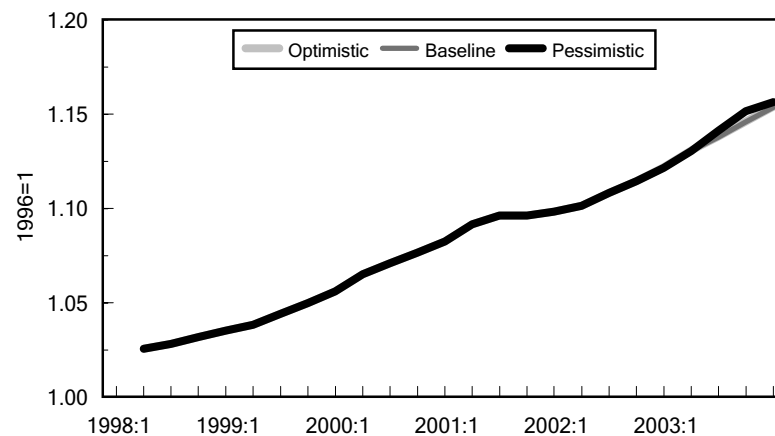


Chart 1.15
Mortgage Rate

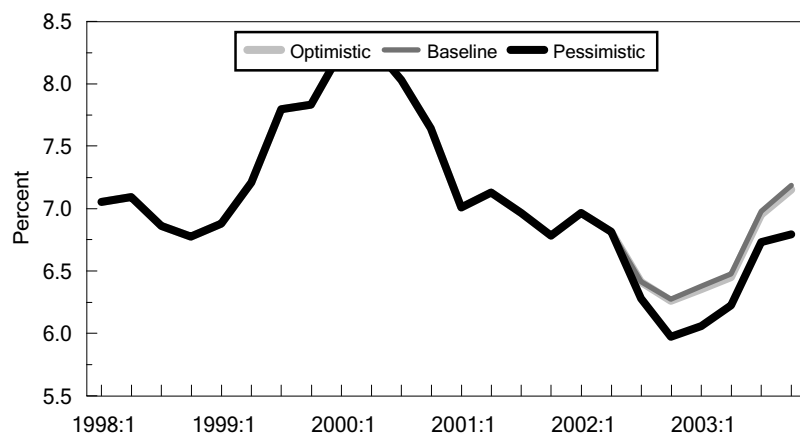
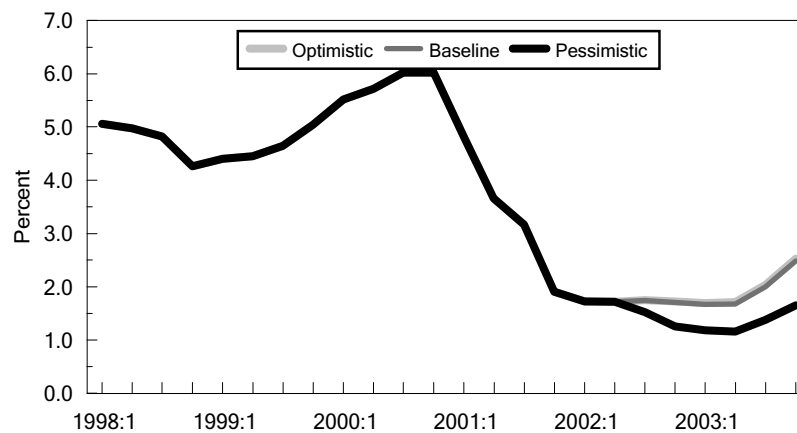


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

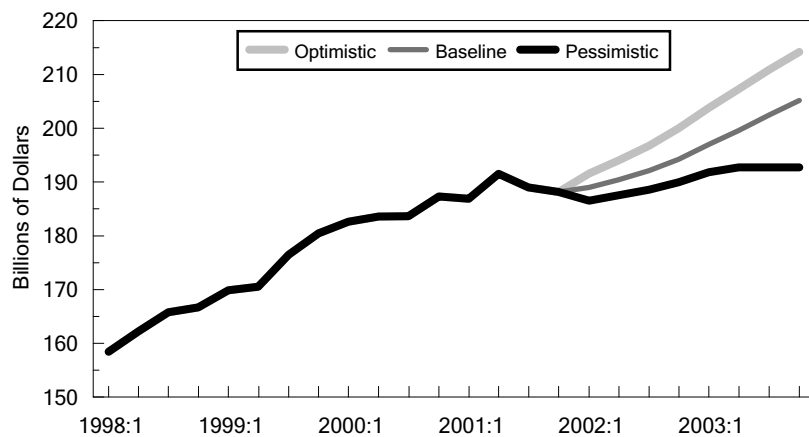


Chart 1.18
Real Personal Income

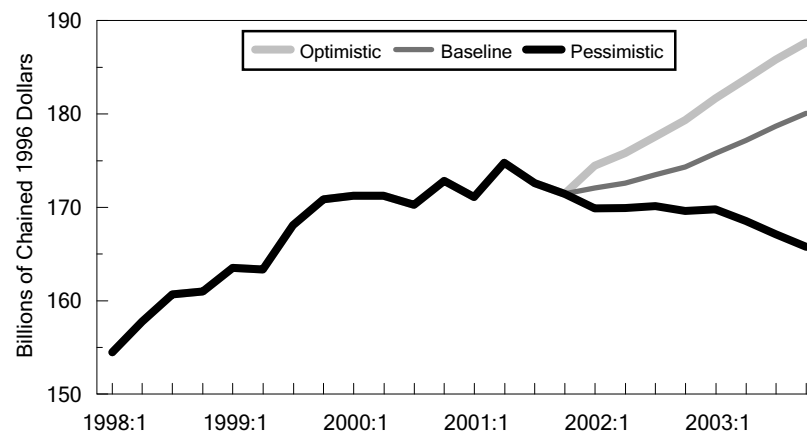


Chart 1.19
Nonagricultural Employment

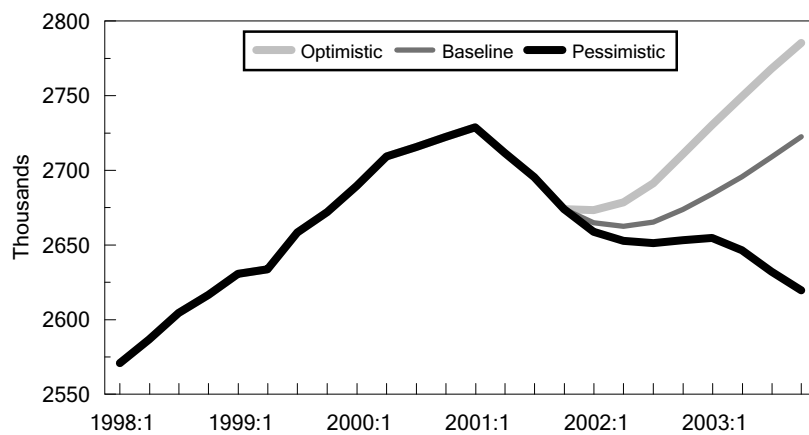
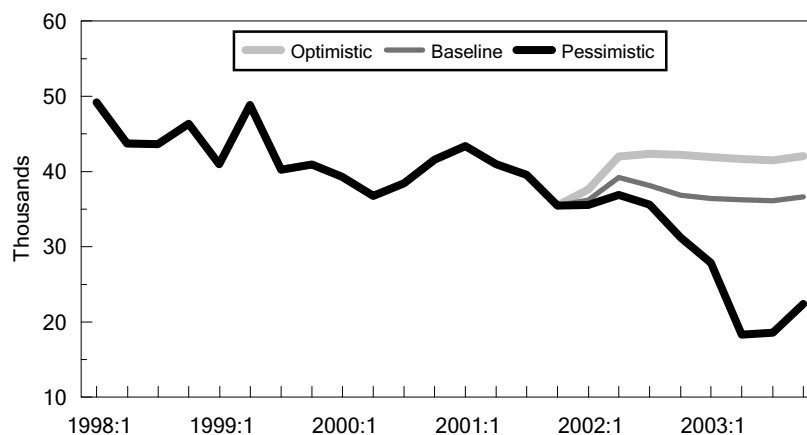


Chart 1.20
Housing Permits



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Washington Business Indicators

The National Economy

United States economic growth decelerated in the second quarter of 2002 reflecting slower consumer spending and private inventory investment. Real Gross Domestic Production (GDP), the broadest measure of economic activity, increased at a 1.3* percent annual rate, well below the 5.0 percent rise last quarter, although the increase was a little faster than assumed in the September 2002 forecast. Consumer spending continued to grow, increasing at a 1.8 percent annual rate. Consumer spending in the second quarter of 2002, however, was at a much slower pace than the 3.1 percent increase last quarter and the 6.0 percent rise in the fourth quarter of 2001. Fixed investment spending declined for the seventh consecutive quarter. Weakness persists in the non-residential fixed investment sector, which declined at a 2.4 percent annual rate. Housing remains a bright spot in the economy, with residential fixed investment increasing at a 2.7 percent annual rate. Government spending increased 1.4 percent in the second quarter due to a 7.5 percent increase in federal spending. Spending by state and local governments declined 1.7 percent reflecting mounting budget problems at the state and local level.

Manufacturing activity has slowed. After increasing from 39.5 in October 2001 to 56.2 in June 2002, the U.S. Purchasing Managers Index fell to 50.5 in July. The August number was also 50.5. The index has risen or remained unchanged eight of the last twelve months and has been above 50 (an index above 50 indicates that manufacturing sector is expanding; below 50 indicates it is contracting) for the last seven months. However, the retreat since June indicates that recovery in the manufacturing sector may have stalled.

Nationally, wage and salary employment increased for the fourth consecutive month in August, after having fallen the previous thirteen straight months. Despite the gains, the labor market conditions remain weak. The economy has added only 162,000 jobs over the last four months, which is quite weak for an economy in a recovery mode. The unemployment rate fell to 5.7 percent in August. Last month it was 5.9 percent. This decline is likely only temporary. The unemployment rate is expected to increase a little over the next couple of quarters, peaking at about 6.1 percent in the first half of calendar 2003. The Consumer Price Index (CPI) increased 0.3 percent in August, but inflation is not a major concern. The August CPI is only 1.8 percent above the year-ago level and is only 1.3 percent higher than a year ago for the half of calendar 2002.

The Conference Board reported that the U.S. Index of Leading Indicators fell for the third straight month in August 2002. The index declined 0.2 percent in August after falling 0.1 percent in July and 0.2 percent in June. Prior to June 2002, the index had increased or remained unchanged

seven of the previous eight months. The index now stands at 111.8 (1996=100), 2.0 percent above the year-ago level. In August seven of the ten indicators that make up the leading index fell and three increased. The fall in the leading indicator index the last three months adds to the expectations of a weaker than average recovery.

Although consumer spending has so far remained healthy, consumer confidence continues to fall. The Conference Board reported that its Index of Consumer Confidence fell 1.2 percent in August 2002, its fourth consecutive monthly decline. The index now stands at 93.3 (1985=100). While it is well above its cyclical low of 84.9 (November 2001), it is still below its pre-terrorist attack level of 114.0 in August 2001.

The Federal Open Market Committee (FOMC) voted at its September 24th meeting to keep its target rate for federal funds unchanged at 1 ¾ percent. The FOMC cut the federal funds rate eleven times in calendar 2001, from 6.5 percent on January 3, 2001 to 1.75 on December 31, 2001 to provide monetary stimulus to a slowing economy. While the FOMC believes the economy is growing moderately, the “risks are weighted mainly toward conditions that may generate economic weakness”. It cites increased economic uncertainty due to heightened geopolitical risks. Two members of the committee voted to lower rates, which to many economists suggests that unless the economy significant improvement there is a good chance the FOMC will lower the federal funds target when it next meets in early November. The September 2002 forecast, however, assumes that the FOMC will leave the fed funds target unchanged until mid 2003.

The State Economy and Indicators

The Washington economy remains weak. Payroll employment declined at a 1.7 percent annual rate in the second quarter of 2002, after declining 2.6 percent in the first quarter and 4.4 percent in the fourth quarter of 2001. Wage and salary employment has now declined six consecutive quarters. The state has not seen employment declines of this magnitude and duration since the back-to-back recessions in the early 1980's. While the forecast does not expected more declines, overall job growth is expected to remain weak. The decline in manufacturing employment continued in the second quarter of 2002. Manufacturing employment declined at a 6.3 percent annual rate in the second quarter. It fell 12.4 percent in the first quarter and has been in decline since the third quarter of 1998 (sixteen consecutive quarters after adjusting for the impact of the Boeing strike in the first quarter of 2000). Aerospace employment declined at a 13.9 percent annual rate in the second quarter of 2002. Aerospace employment is expected to continue to fall through the end of calendar 2003 due to a slower than expected recovery of the airline industry. Non manufacturing employment declined 1.0 percent in the second quarter of 2002, after falling 1.2 percent in the first quarter. Non manufacturing employment has now declined for five consecutive quarters.

With the decline in jobs, the state's unemployment rate has again started to rise. The Washington unemployment rate was 7.2 percent in August, up from 7.1 percent in July and 6.8 percent in June. While the 7.2 percent rate in August was the second highest in the nation, it is still below the January of 2002 rate of 7.6 percent. However, it is well above the year-ago rate of 6.5 percent.

Most other state economic indicators are weak. The Seattle Times Index of Help-Wanted Advertising fell again in August 2002. This index has fell five of the last six months and sixteen of the last twenty months. The index in August is 64 (1987=100) and is 20.8 percent below the year-ago level. After falling in July Washington average weekly hours in manufacturing rose to 39.93 in August 2002. However, the average weekly hours in manufacturing have declined four of the last

six months and are 0.5 percent below the year-ago level. There is some positive news. The Washington Purchasing Management Index increased in August 2002 after declining the three prior months. The index stands at 57.5 and has been above 50 since March 2002 (a reading below 50 indicates contraction, above 50 indicates expansion).

The Washington's boom monitor index fell both in June and July, and is just slightly above its cyclical low, of 33.3 in February 2002. The boom monitor index is designed to signal when the Washington economy exceeds the limit of sustainable growth. When the index exceeds 50, its long run average, the economy is considered to be expanding above trend. Conversely, a reading below 50 indicates the economy is growing below its long run average. The July index level is 33.4. The index has been below 50 the last sixteen months and, aside from February 2002, is at its lowest level since 1984.

The Washington Index of Leading Indicators fell in both July and August 2002, after increasing in May and June. The decline indicates that economic growth in Washington may remain weak for a while. The August index is 96.2 (1996=100), its lowest level since 1988. It is 10.7 percent below its cyclical high of 107.7 reached in January 1999 and 3.1 percent below the year-ago level. Six of the seven components of the index contributed to the decline in August. These were: the exchange rate, housing starts, the U.S. index of leading indicators, the Seattle Times Help-Wanted index, initial claims for unemployment insurance, and aerospace employment. The only component to increase in August was average hourly earnings in manufacturing.

**This is based on the most recent data from the Bureau of Economic Analysis (the final GDP estimates for the second quarter of 2002 released September 27, 2002.) The September 2002 economic forecast was based on the advanced GDP release, which showed a 1.1 percent increase in real GDP in the second quarter of 2002.*

Washington State Economic Indicators

Chart 2.1
Year-over-Year Employment Growth
January 1980 to August 2002

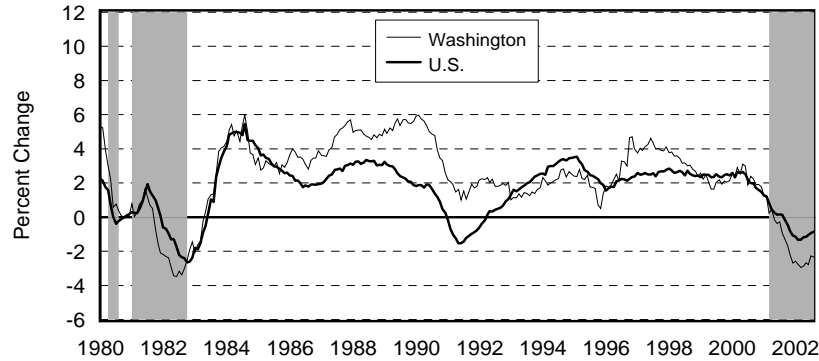


Chart 2.2
Washington Aircraft and Parts Employment
January 1958 to August 2002

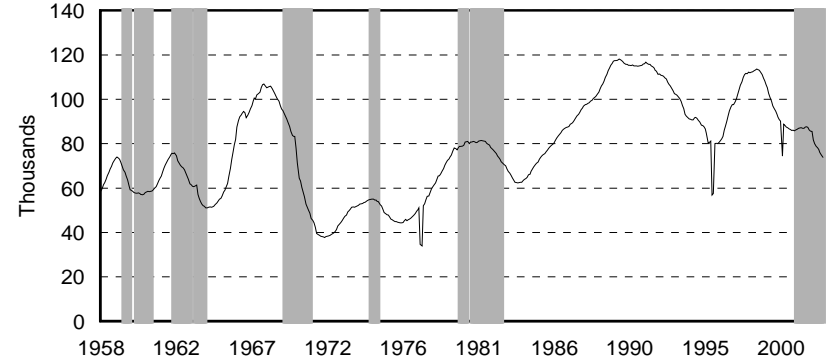


Chart 2.3
Unemployment Rate, S.A.
January 1980 to August 2002

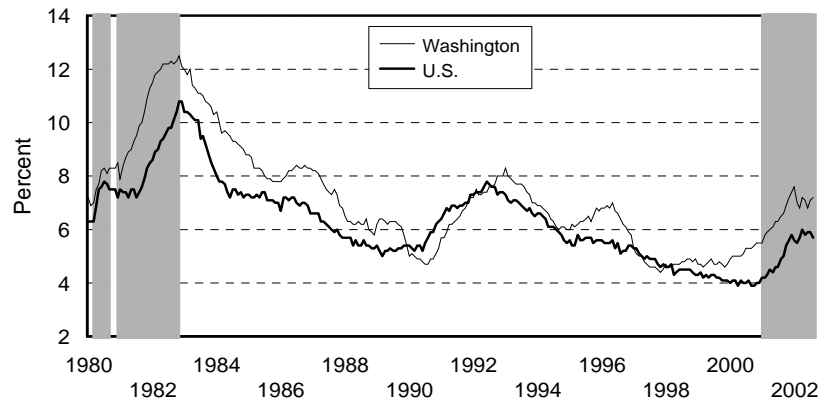
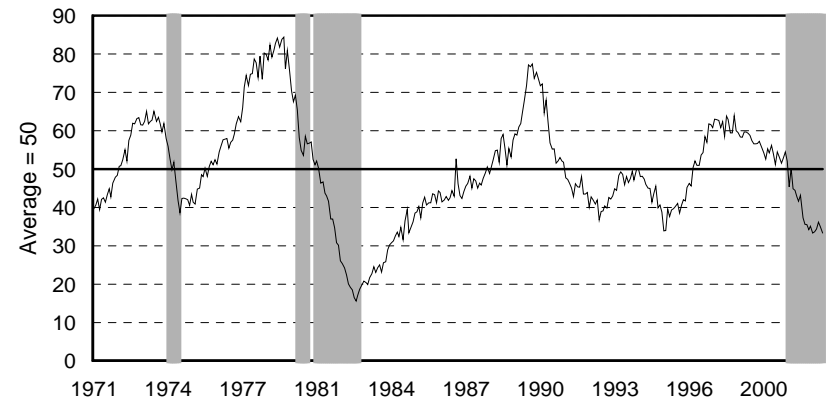


Chart 2.4
Washington Boom Monitor Composite Index
July 1971 to July 2002



* Shaded areas correspond with Washington employment downturns.

Washington State Leading Indicators

Chart 2.5
The Washington and U.S. Indexes of Leading Indicators
January 1970 to August 2002

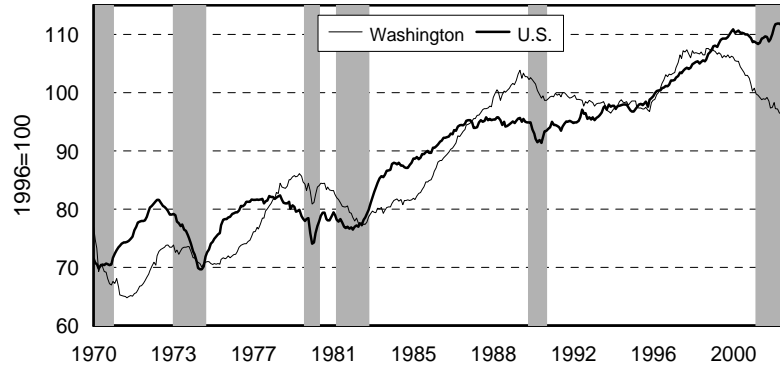


Chart 2.6
Washington Initial Claims for Unemployment Insurance
January 1970 to August 2002

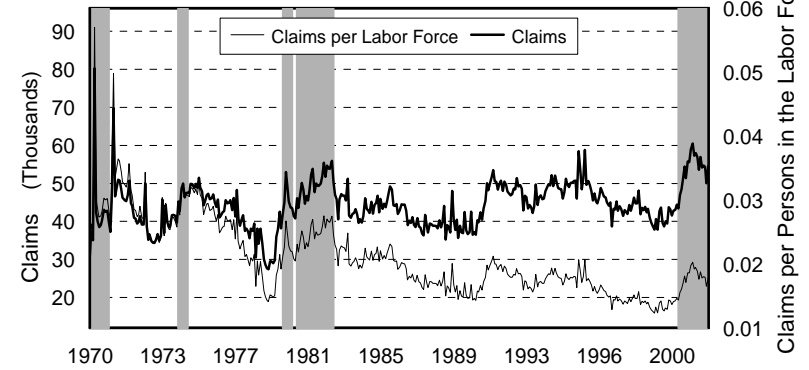


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to August 2002

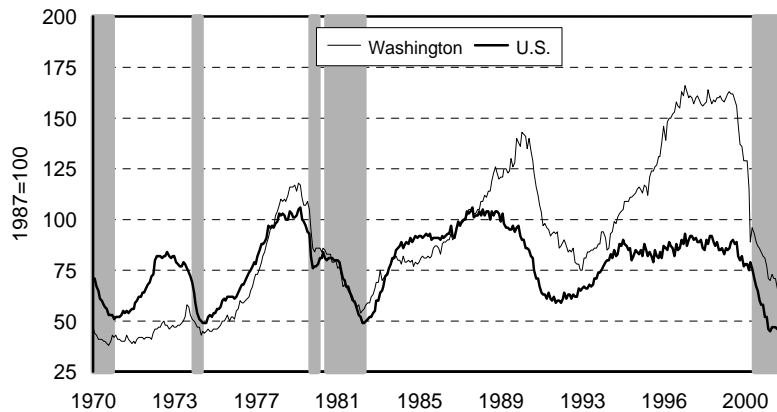
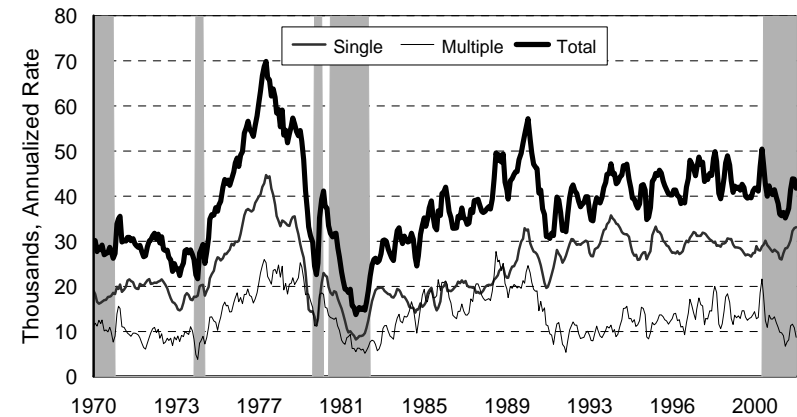


Chart 2.8
Housing Units Authorized in Washington State
January 1970 to August 2002, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

Chart 2.9
Average Weekly Hours in Manufacturing
 January 1970 to August 2002, 3-Month Moving Average, SA

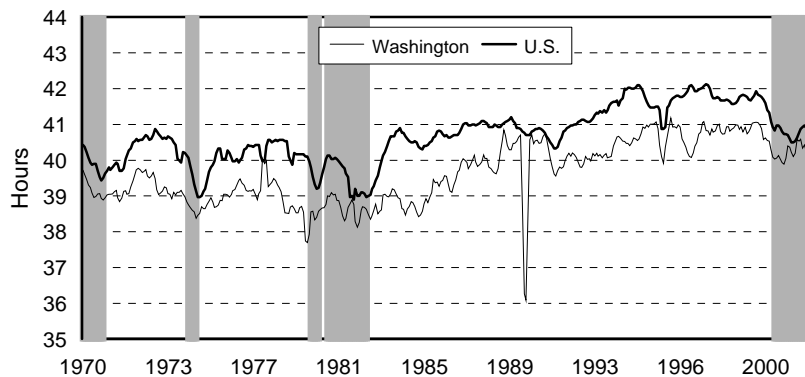


Chart 2.10
Washington Driver's License Migration
 September 1983 to July 2002, 12-Month Moving Average

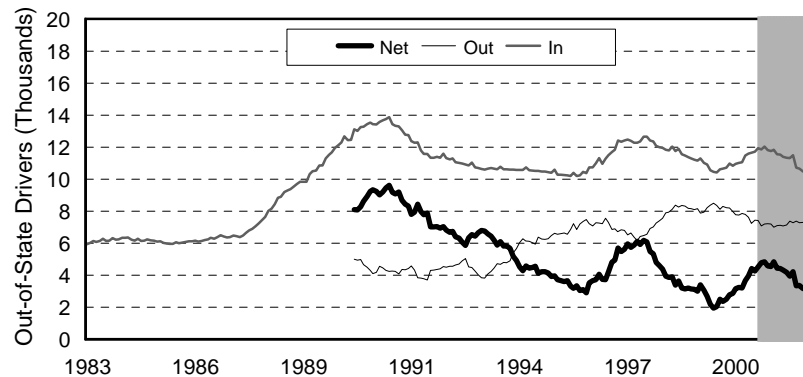


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to July 2002, 6-Month Moving Average

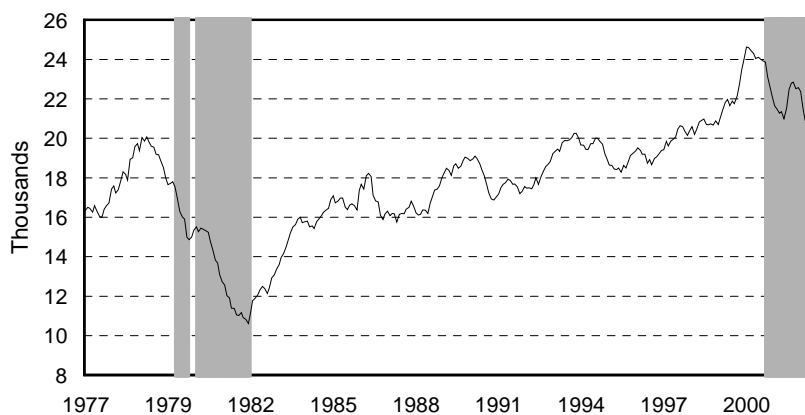
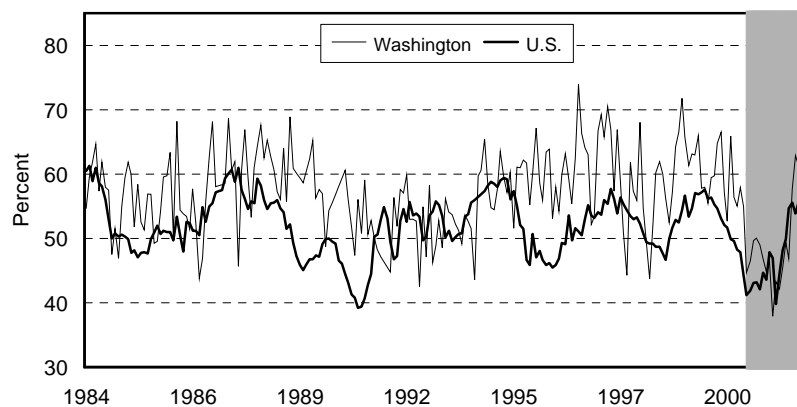


Chart 2.12
Purchasing Management Composite Index
 January 1984 to August 2002



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13

Quarterly U.S. Real GDP Growth
1970 Q1 to 2002 Q2

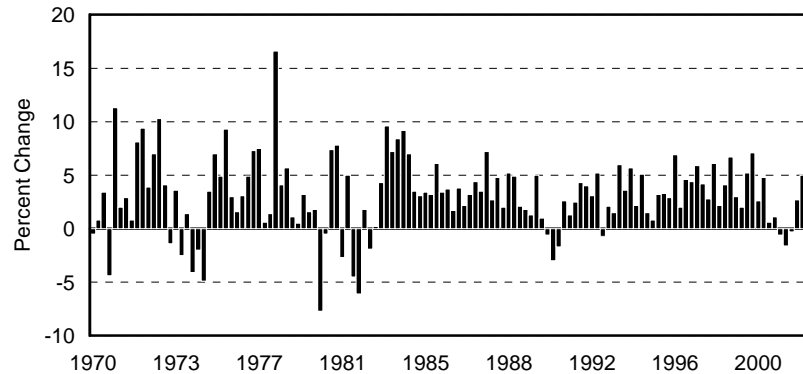


Chart 2.14

Washington State Export Composition
Change from Same Quarter Year Ago

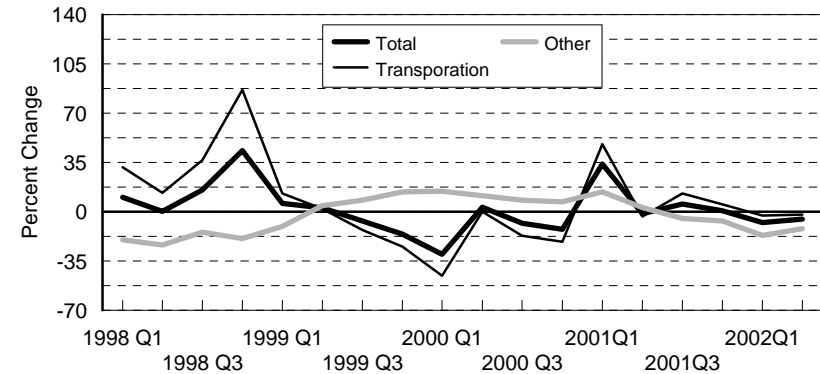


Chart 2.15

U.S. Economic Indicators*
January 1970 to August 2002

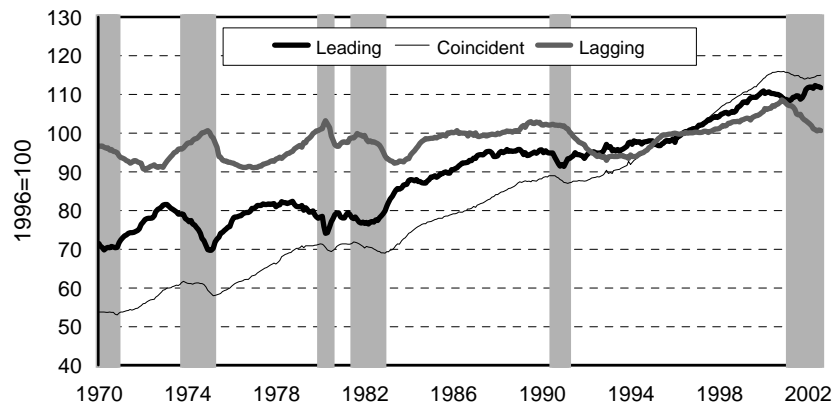
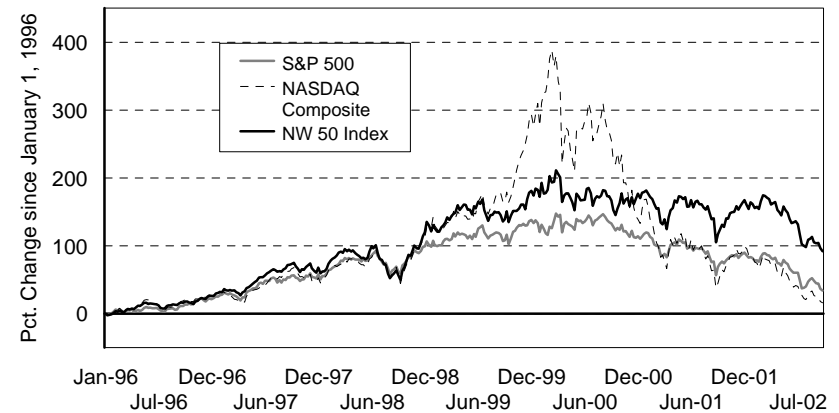


Chart 2.16

Northwest 50 Regional Stock Index vs. National Indices
January 1, 1996 to September 27, 2002



* Shaded areas correspond with U.S. business cycle contractions as defined by the National Bureau of Economic Analysis.

Other Economic Indicators

Chart 2.17
Federal Funds Target Rate
October 1, 1990 to September 27, 2002

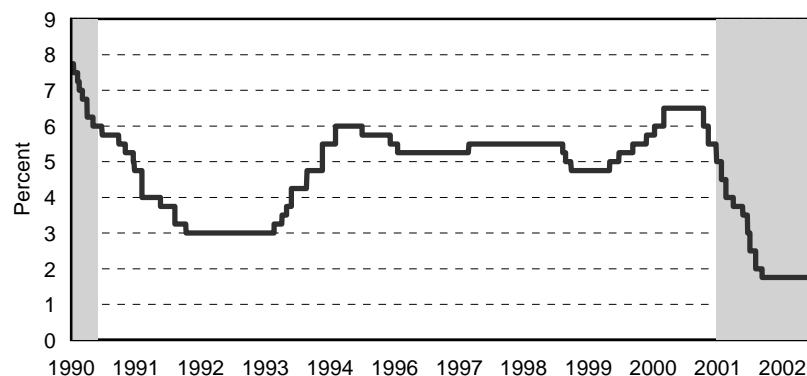


Chart 2.18
Consumer Confidence
January 1978 to September 2002

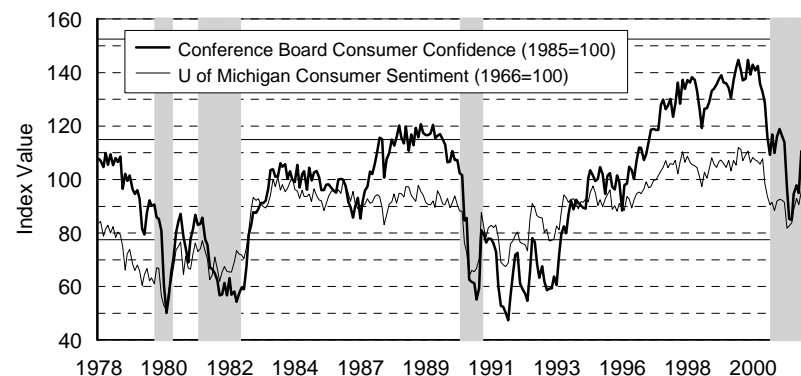
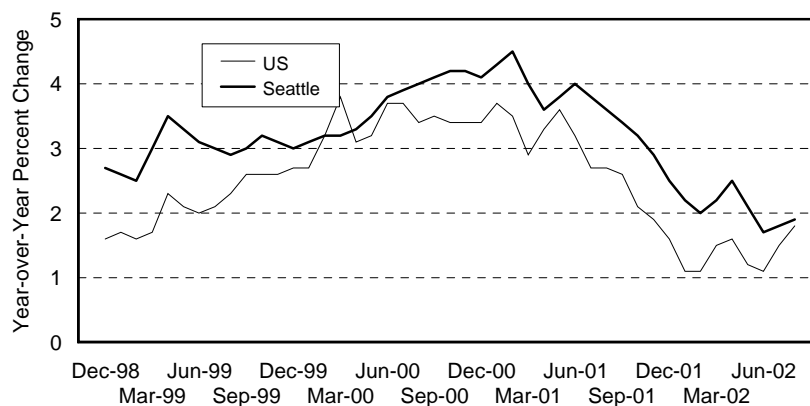


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
December 1998 to August 2002



* Shaded areas correspond with U.S. business cycle contractions as defined by the National Bureau of Economic Analysis.

Table 2.1
Washington Business Indicators
 Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising	Washington Purchasing Management Index	U.S. Purchasing Management Index
2000:5	104.5	110.3	147	82	66.5	53.4
2000:6	104.0	110.3	137	80	57.2	51.8
2000:7	103.5	110.2	136	82	52.7	51.9
2000:8	103.0	110.0	129	77	65.9	49.9
2000:9	103.0	110.0	129	78	56.4	48.8
2000:10	102.5	109.7	129	78	55.1	48.0
2000:11	101.5	109.4	115	75	57.9	48.1
2000:12	100.3	108.7	89	79	55.0	44.2
2001:1	100.8	108.8	96	76	44.7	41.7
2001:2	99.8	108.6	93	71	46.5	42.0
2001:3	99.6	108.4	89	67	49.6	43.2
2001:4	99.2	108.6	87	65	50.1	43.2
2001:5	98.8	109.3	86	60	49.0	42.3
2001:6	99.0	109.4	84	58	46.8	44.3
2001:7	98.9	109.7	82	58	44.9	43.9
2001:8	99.2	109.6	81	52	46.4	47.9
2001:9	98.6	108.8	77	52	37.9	46.2
2001:10	97.4	109.2	71	46	43.3	39.5
2001:11	97.5	110.1	70	45	42.1	44.7
2001:12	98.3	111.3	73	47	45.5	48.1
2002:1	97.3	111.8	71	47	49.4	49.9
2002:2	97.2	111.9	71	47	46.9	54.7
2002:3	96.5	111.9	66	46	57.7	55.6
2002:4	96.5	111.6	65	47	62.9	53.9
2002:5	96.8	112.3	63	44	61.3	55.7
2002:6	97.2	112.1	65	47	54.2	56.2
2002:7	97.0	112.0	65	44	53.7	50.5
2002:8	96.2	111.8	64	41	57.4	50.5

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Washington State Revenue Forecast Summary

Introduction

The Economic and Revenue Forecast Council approved a \$298.9 million reduction to the General Fund-State (GFS) revenue forecast at its September 17, 2002 meeting. The September revision was comprised of a \$33.8 million reduction for the 2001-03 biennium and a \$265.1 million downward revision for the 2003-05 biennium. Although revenue collections in the three months since the June forecast have been a little above expectations, weaker than expected employment and income growth are expected to slow both consumer and business spending in fiscal 2003. This is expected to produce less revenue for the remainder of the 2001-03 biennium than was assumed in June. While the total change to the 2001-03 revenue outlook is relatively small (0.3 percent), the reduction to the 2003-05 forecast is more significant. The September forecast reflects a much weaker national recovery than assumed in June. In addition, the airline industry is recovering from the recession and the impact of September 11th slower than previously thought. This will delay the recovery of the Washington aerospace sector until 2004.

The weaker economic outlook for the 2003-05 biennium lowered the GFS revenue forecast for the biennium by \$345.5 million (1.5 percent). This reduction was partially offset by an additional \$80.4 million in revenue as a result of tax law

Table 3.1
Revision to the General Fund-State Forecast
September 2002
(Millions of dollars)

	2001-03 Biennium	2003-05 Biennium	Both Biennium
Non Economic Changes ¹	\$0.0	\$80.4	\$80.4
Forecast Change	(33.8)	(345.5)	(379.3)
Total Change*	(\$33.8)	(\$265.1)	(\$298.9)

¹ Adjustment to the forecast to incorporate tax law changes not previously included in the forecast for the 2003-05 biennium.

*Detail may not add to totals due to rounding

changes affecting the 2003-05 biennium that were not previously included in the GFS revenue forecast.

The September 2002 General Fund-State revenue forecast now expects \$21,106.3 million in the 2001-03 biennium. This is \$156 million, 0.7 percent, less than what was collected the 1999-01 biennium. While this decline reflects tax law changes (e.g. Initiatives 728, 747 and 773, and legislative changes) as well as a weaker economy, revenue growth, excluding law changes, would still be the weakest since the recession-plagued 1981-83 biennium.

The reduction to the GFS forecast lowers the projected General Fund unrestricted ending balance to \$308.6 million. In June the projected ending balance was \$342.7 million. While total resources for the 2001-03 biennium are expected to exceed spending by \$308.6 million for the biennium, the September GFS revenue forecast expects revenue for the 2001-03 biennium (\$21,106.3 million) to be \$1.3 billion less than the 2001-03 spending level (appropriations of \$22,451.4 million.) The projected \$308.6 million positive ending balance for June 30, 2003 is achieved only through a combination of a large positive beginning balance, two non re-occurring transfers to the General Fund, and the use of some of the tobacco settlement proceeds.

The September 2002 GFS forecast for the 2003-05 biennium, which spans the period July 2003 through June 2005, expects a weaker economic recovery and slower revenue growth than assumed in June. Although the forecast is lower than what was expected in June, the economy is still expected to produce significantly more GFS revenue in the 2003-05 biennium than in the 2001-03 budget period. GFS revenue in the 2003-05 biennium is expected to total \$22,700.1 million, \$1.6 billion (7.6 percent) more than in the 2001-03 biennium.

Background and Assumptions

The Washington State GFS revenue forecast is prepared quarterly in conjunction with the state economic forecast for the Economic and Revenue Forecast Council. The Economic and Revenue Forecast Council was created by Chapter 138, Laws of 1984, to provide an objective revenue forecast for both executive and legislative branches of state government. The Council consists of six members, two appointed by the Governor and two appointed by the Legislature from each caucus of the Senate and House of Representatives. Current members of the Economic and Revenue Forecast Council are listed inside the front cover of this publication. The GFS revenue forecast is updated four times per year: March (February in even-numbered years), June, September, and November. Each state agency engaged in revenue collection is responsible for forecasting the revenue it collects or administers. The staff of the Economic and Revenue Forecast Council is responsible for the preparation of the state economic forecast and the revenue forecast of the Department of Revenue's GFS sources. The staff is also responsible for review and coordination of the revenue forecasts of agencies that collect relatively large amounts of GFS revenue. These are the Department of Licensing, the Office of the Insurance Commissioner, the State Treasurer, the Liquor Control Board and the Office of Financial Management. The Office of Financial Management is responsible for summarizing the forecasts of all other state agencies that collect relatively smaller amounts of GFS revenue.

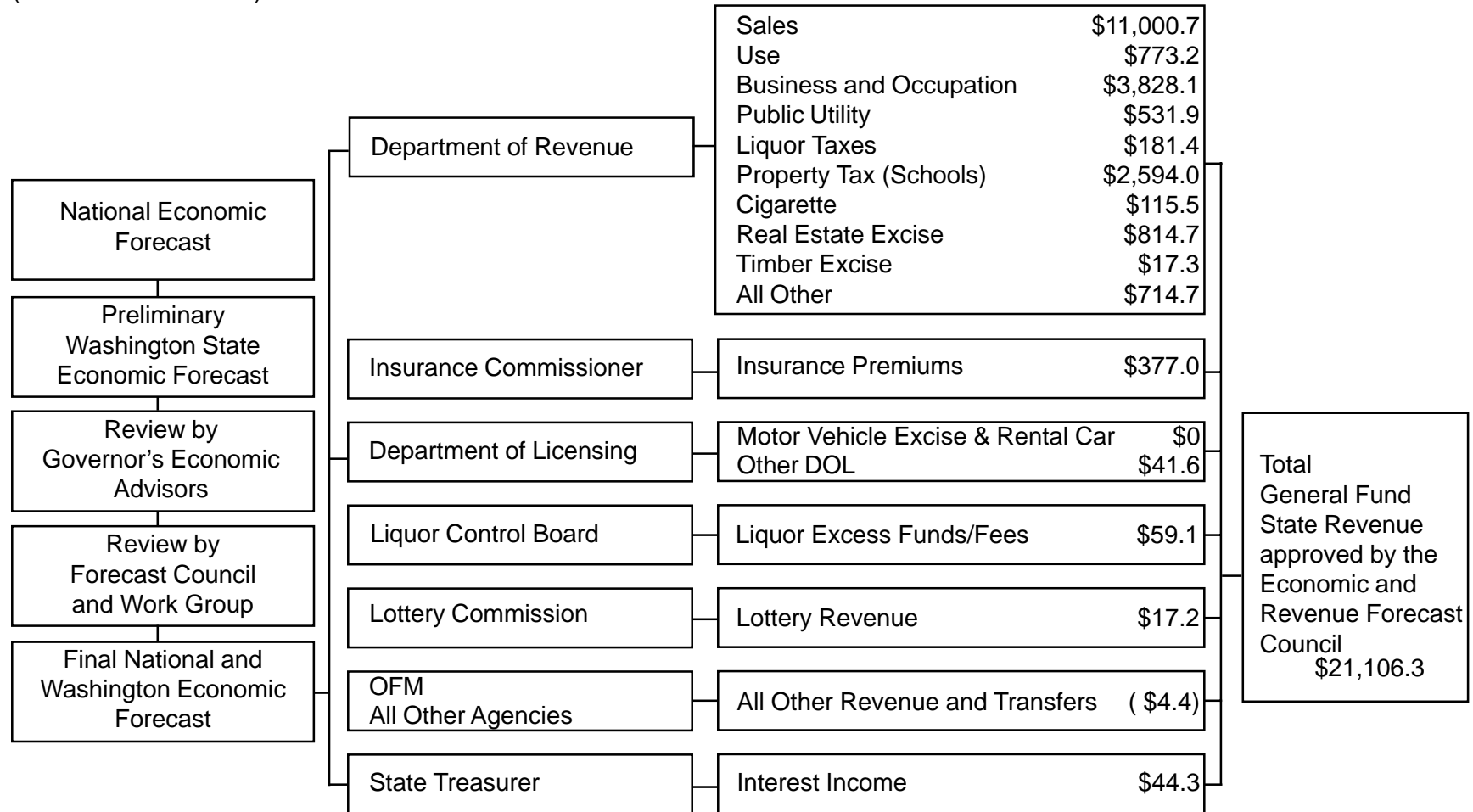
For each quarterly update, the staff of the Economic and Revenue Forecast Council, under direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by DRI-WEFA. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The DRI-WEFA national forecast

is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue forecast. The revenue forecasts for most major General Fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the September 2002 baseline forecast for the 2001-03 biennium (cash basis) is shown in Table 3.2.

September 2002 Forecast Assumptions

1. The September 2002 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the state is in part based on the August 2002 DRI-WEFA baseline forecast for the U.S. economy.
2. The September 2002 GFS revenue forecast is based on current law and administrative practices. The September forecast includes the impact of tax law changes that were not previously included in the GFS forecast for the 2003-05 biennium. This adds \$80.4 million to the GFS forecast for the 2003-05 biennium.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue were dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state will participate in a multi-state lottery game. Proceeds from this new game will go the General Fund, after a guaranteed amount is transferred to the Student Achievement Account and the School Construction Account. Part II of Table 3.17 summarizes the lottery sales forecast and distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2001-03 and the 2003-05 biennia. Receipts for the 1997-99 biennium were reduced by \$549 million as a result of legislation enacted during the 1996, 1997 and 1998 legislative sessions. New legislation and other non-economic changes (e.g. referendum 49) reduced GFS revenue for the 1999-01 biennium by \$568 million. As of September 2002, new legislation and other non-economic changes have reduced the forecast of GFS revenue for the 2001-03 biennium by \$399 million. New tax law changes have increased GFS revenue for the 2003-05 biennium by \$285 million. In addition, the effect of Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, accelerates in the 2003-05 biennium. This transfer has a disproportional effect on GFS revenue for the 2003-05 biennium relative to the 2001-03 biennium. I-728 property tax transfers grow from \$267.0 million in the 2001-03 biennium to \$567.6 million in the 2003-05 biennium (See part I of Table 3.17.)

Table 3.2
Economic and Revenue Forecast Flow Chart*
 General Fund-State
 2001-03 Biennium
 (Amounts in millions)



* Cash Basis

Recent Collection Experience

Revenue collections in the three months since the June forecast were \$51.6 million higher than expected. Revenue Act collections (retail sales, business and occupation, use, public utility, and tobacco products taxes,) were \$20.6 million (1.0 percent) higher than expected. Non Revenue Act taxes, primarily property, estate, and other taxes collected by the Department of Revenue were \$29.5 million (7.5 percent) higher than expected. GFS receipts reported by the Department of Licensing were \$0.9 million higher than assumed in June and GFS receipts from other agencies through the end of fiscal 2002 (June 30, 2002) were \$0.6 million more than expected.

Revised data indicate that personal income was higher than previously believed in the second quarter which likely contributed to the stronger than expected consumer spending. In addition, low interest rates have sparked a surge of mortgage refinancing which provided consumers with additional spending power. However, most of the higher than expected collections in the past three months were from revenue sources (estate tax and the state levy) not directly linked to current economic activity. In addition, while consumers spending and Revenue Act collections were a little better than expected, expectations were not very high.

Revenue Act collections since the June forecast (primarily May through July business activity) were 0.1 percent below the year-ago level (after adjusting for special factors). Thus while Revenue Act collections were a little higher than forecast, they were still quite weak the last three months.

The 0.1 percent decline was an improvement from the 2.5 percent decline during the last six months of calendar 2001 and the 2.3 percent drop in first quarter of 2002. However, it was still significantly weaker than both retail sales growth nationally and state personal income growth. Consumer spending on autos remained stronger than expected due in part to the extension of attractive auto financing incentives. Weak business spending and non-residential construction activity continue to be a drag on revenue growth.

Preliminary tax payment data of the state's largest taxpayers for the most recent monthly collection period (August 11- September 10, 2002) which primarily reflects July 2002 business activity continues to show strength in most retailing sectors and weakness in virtually all non-retailing sectors. Preliminary data show

Table 3.3

Collection Variance of Major General Fund-State Tax Sources by Agency

June 11-September 10, 2002
(Millions of dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act ¹	\$20.6	1.0%
Non Revenue Act ²	\$29.5	7.5%
Subtotal	<u>\$50.1</u>	<u>2.0%</u>
Department of Licensing ²	\$0.9	9.8%
Other ³	\$0.6	NA
Total**	\$51.6	2.1%

¹ Revenue Act taxes consists of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections June 11, 2001 through September 10, 2000.

² Variance based on June 2002 through August 2002 collections. Major Non-Revenue Act sources include: state property tax levy, real estate excise tax and estate tax.

³ Variance as of June 30, 2002. All GFS tax receipts other than those reported by the Department of Revenue and the Department of Licensing. Includes interest earning, Insurance premiums taxes and liquor profits and fees.

* Collection variance: actual tax payments compared to monthly estimates based on the June 2002 forecast.

** Detail may not add to total due to rounding.

the retailing category, which accounts for roughly half of all excise tax payments, was up nearly 6.0 percent from the year-ago level, while non-retailing sectors, as a whole, declined 2.0 percent. Within retail trade, all major sectors other than eating and drinking places reported higher tax payments than a year ago. The auto/gasoline sector reported a very strong 12.0 percent increase and building materials/hardware retailers reported an even stronger 13.6 percent increase. Most major non-retailing sectors reported year-over-year declines in excise tax payments this month, with most of the declines in the low to mid-single digit range. The manufacturing sectors reported the largest decline, 6.8 percent. Two non-retailing sectors reported year-over-year increases in tax payments. The service sector reported a 4.6 percent increase and the transportation, communications, and utilities sector reported a 1.0 percent increase.

Low mortgage rates have helped offset weak employment growth, contributing to modest growth in real estate activity and more than expected real estate excise tax revenue. Statewide, real estate activity, based on real estate closings subject to the state real estate excise tax, has increased 5.8 percent in the three months since the June forecast. The number of real estate transactions were up 0.7 percent, while the average price per transaction grew 5.1 percent during this period.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$0.9 million (9.8 percent) above the June forecast during the last three months. During this period, Department of Licensing General Fund collections were 4.5 percent above the year-ago level.

The General Fund-State Forecast for the 2001-03 and the 2003-05 Biennia

The state is experiencing its first real downturn since the early 1980's. While the current recession is not expected to be as protracted as the back-to-back recessions of the 1980 to 1983 period, it is nevertheless a significant contraction. Both economic and revenue growth are expected to be the weakest since the 1981-83 biennium. Wage and salary employment, which increased 4.3 percent in the 1999-01 biennium, is expected to decline 1.8 percent in the 2001-03 budget period. Wage and salary employment declined 2.1 percent in the 1981-83 biennium. Similarly, real personal income is expected to grow only 1.7 percent in the 2001-03 biennium after having increased 9.9 percent in the 1999-01 period. In terms of real income growth, the 1.7 percent growth for the 2001-03 biennium is actually a little weaker than the 2.4 percent real income growth for the 1981-83 biennium. The weak economy translates directly into less General Fund-State revenue. The forecast of GFS revenue for the 2001-03 biennium is expected to total \$21,106.3 million. This is \$156 million, 0.7 percent, less than what was collected in the 1999-01 biennium. Although GFS revenue in the current biennium has been significantly reduced by various tax law changes, including the passage of Initiative 728, as well as initiatives 747 and 773, much of the weakness in GFS revenue growth is due to the weak economy. GFS revenue in the 2001-03 biennium after adjusting for the impact of major tax law changes is expected to be only 1.7 percent above the 1999-01 biennium. Inflation adjusted growth of the retail sales adjusted tax base is projected to decline 1.9 percent for the biennium. This is the first decline since it fell 9.1 percent in the 1981-83 biennium. It grew 8.5 percent in the 1999-01 biennium. Inflation adjusted growth of the business and occupation adjusted tax base is projected to decline even more, 2.8 percent in the 2001-03 biennium. This is also the worst showing since the 1981-83 biennium.

The September 2002 forecast for the 2003-05 biennium, which spans the period July 1, 2003 to June 30, 2005, continues to assume a moderate recovery for both the U.S. and the Washington economy. While personal income and employment growth are expected to be well above the depressed levels experienced during the 2001-03 biennium, economic growth is expected to be weaker than past recovery periods. Weak business investment and slow employment growth along with a sluggish global economy will slow the U.S. recovery. Air traffic is not expected to return to normal levels until 2004, which will lower airline profitability and their ability to purchase aircraft. Consequently, the aerospace industry, the state's largest manufacturing sector, is not expected to recover until 2004. Even then, its recovery will be very weak. Many of the jobs lost in this industry during this downturn will not return in the 2003-05 biennium. The combination of a weak U.S. recovery and a depressed aerospace sector will contribute to a less than average employment and income growth for the state in the 2003-05 biennium. State personal income is expected to increase only 9.1 percent in the 2003-05 biennium, up from the 5.5 percent increase projected for the 2001-03 biennium but only about half its long run average. Similarly wage and salary employment growth is expected to increase only 2.7 percent in the 2003-05 biennium, well below its long run average. While the outlook for GFS revenue is expected to improve in the 2003-05 biennium, revenue growth, like the economy, is expected to be relatively weak. GFS revenue in the 2003-05 biennium is expected to total \$22,700.1 million. This is \$1.6 billion (7.6 percent) more than in the 2001-03 biennium. Adjusting for major tax law changes, GFS revenue is expected to grow 7.9 percent.

Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation and the property tax (state school levy) comprise the majority of Washington's GFS revenue. These three taxes accounted for more than 85 percent of the \$21.3 billion total GFS cash receipts in the 1999-01 biennium. This percentage is expected to rise to 86.6 percent of total GFS revenue in the 2001-03 biennium and to 87.5 percent in the 2003-05 biennium. The jump in the 2001-03 biennium is primarily due to a change in the disposition of lottery proceeds. Prior to the 2001-03 biennium, the

Cash Basis				
<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>1996 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,188.5	19.0%
1971-73	1,922.1	10.9%	6,345.8	2.5%
1973-75	2,372.4	23.4%	6,772.5	6.7%
1975-77	3,395.0	43.1%	8,445.1	24.7%
1977-79	4,490.0	32.3%	9,785.8	15.9%
1979-81	5,356.4	19.3%	9,716.5	-0.7%
1981-83	6,801.4	27.0%	10,729.6	10.4%
1983-85	8,202.4	20.6%	11,952.7	11.4%
1985-87	9,574.6	16.7%	13,127.7	9.8%
1987-89	10,934.1	14.2%	13,919.4	6.0%
1989-91	13,309.0	21.7%	15,561.1	11.8%
1991-93	14,862.2	11.7%	16,237.3	4.3%
1993-95	16,564.6	11.5%	17,296.7	6.5%
1995-97	17,637.7	6.5%	17,638.8	2.0%
1997-99	19,620.1	11.2%	19,028.0	7.9%
1999-01	21,262.1	8.4%	19,803.6	4.1%
2001-03 ^F	21,106.3	-0.7%	18,952.6	-4.3%
2003-05 ^F	22,700.1	7.6%	19,382.2	2.3%

^F September 2002 Forecast

* Total General Fund-State collections-cash receipts basis. Includes rate, base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. Changes among biennia may not be comparable because the collection totals shown here include the impact of rate, base and administrative changes.

Sources: Dept. of Revenue and the Office of Financial Management.
The Office of the Forecast Council's September 2002 Forecast.

majority of Lottery proceeds were deposited into the General Fund. Due to Initiative 728, beginning in fiscal 2002, most lottery proceeds will be deposited in the Student Achievement Account and the School Construction Account instead of the General Fund. The jump in the 2003-05 biennium is in part due to the expiration of the sales tax deferral/exemption program in the 2003-05 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 80 percent in the 1991-93 biennium and from 75 percent twenty years ago. The retail sales and use tax, the state's largest revenue source generated \$11.7 billion, 55.0 percent of total GFS revenue in the 1999-01 biennium. Sales and use taxes are expected to produce \$11.8 billion, 56.0 percent of total GFS revenue in the 2001-03 biennium. Sales and use tax is expected to total \$13.0 billion and account for 57.4 percent of GFS revenue in the 2003-05 biennium. The business and occupation tax totaled \$3.8 billion in the 1999-01 biennium, 17.7 percent of total GFS revenue. This tax is expected to produce \$3.9 billion, 18.3 percent of the total in the 2001-03 biennium and \$4.4 billion, 19.3 percent of GFS revenue in the 2003-05 biennium. The state share of the property tax totaled \$2.7 billion, 12.5 percent of total GFS revenue in the 1999-01 biennium. It is forecast to produce \$2.6 billion in the 2001-03 biennium, 12.2 percent of total GFS revenue and \$2.5 billion, 10.8 percent of total GFS revenue in the 2003-05 biennium. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement Account. The amount of the state levy transferred from the General Fund to the Student Achievement Account rises rapidly from \$267.0 million in the 2003-03 biennium (the first biennium affected by the I-728 transfer) to \$567.6 million in the 2003-05 biennium. (See Table 3.17.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$19.1 billion in the first quarter of 2002. This was 2.4 percent below the year-ago level. Last quarter taxable sales were 0.9 percent below the year-ago level. Taxable sales have now declined on a year-over-year basis for four consecutive quarters. Inflation adjusted taxable sales declined 3.3 in the first quarter of 2002. This is the fifth consecutive quarterly decline in taxable sales adjusted for price changes. Real taxable sales have not declined in consecutive quarters since the 1982-83 recession. While taxable sales in the state have been declining, U.S. retail sales continue to increase. U.S. retail sales increased 3.2 percent in the first quarter of 2002 quarter and were up 5.4 percent in the last quarter of 2001 on a year-over-year basis. Preliminary data indicate U.S. retail sales increased 3.1 percent in the second quarter. The September 2002 forecast assumes that taxable sales in Washington were the same as the year-ago level in the second quarter of 2002. Although the make-up of U.S. retail sales and taxable sales in Washington State are quite different these series generally move together over time. This has not been the case recently. The significant difference in the behavior of these two series since the second quarter of 2001 highlights the current weakness of the Washington's economy relative to the national economy.

An analysis of the growth of taxable sales in the first quarter of 2002 shows the retail trade sector, which accounts for about half of all taxable sales, was 1.5 percent above the year-ago level. This follows a 2.6 percent increase in the fourth quarter of 2001. Within retailing, auto dealers/gas stations, building materials/hardware retailers, miscellaneous retailers and general merchandise stores all reported positive growth. Auto sales, which continued to benefit from significant manufacturers' incentives, were up 3.6 percent from the year ago level. Sales reported by building materials/hardware retailers were up 6.0 and miscellaneous retailers reported a 4.9 percent increase in activity. General merchandise retailers reported only a 1.0 percent increase and taxable sales reported by other major retailing categories were below the year-ago level in the first quarter. Overall,

Chart 3.1
General Fund-State Revenue

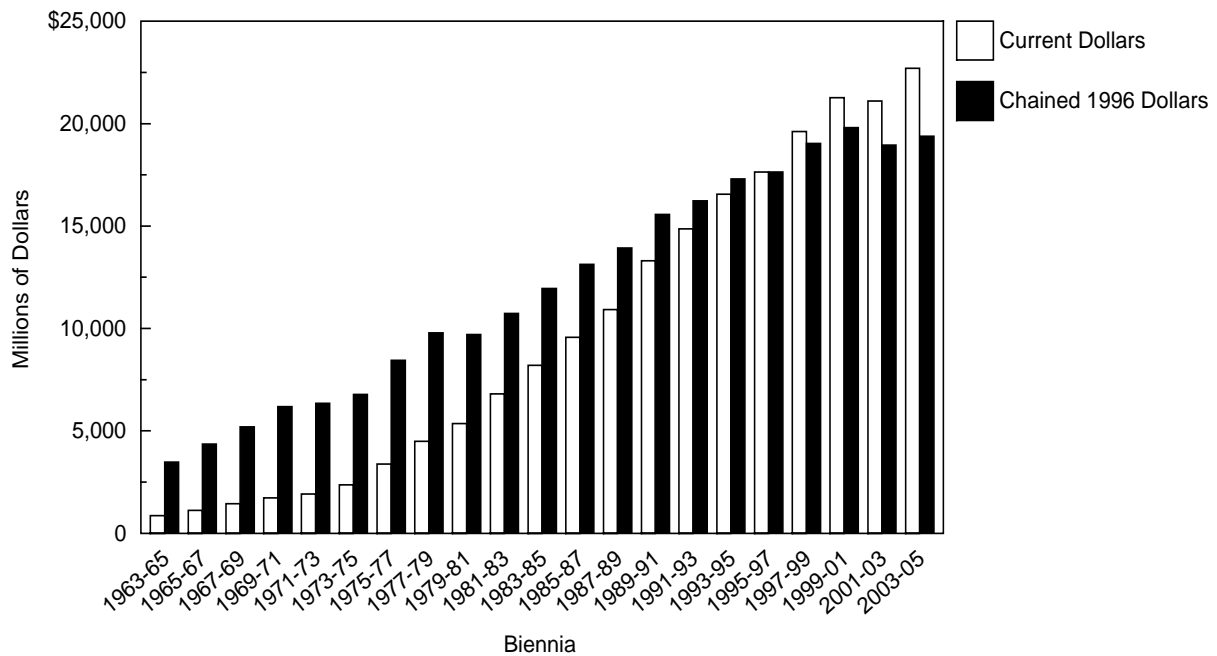


Chart 3.2
General Fund-State Revenue - Percent Change

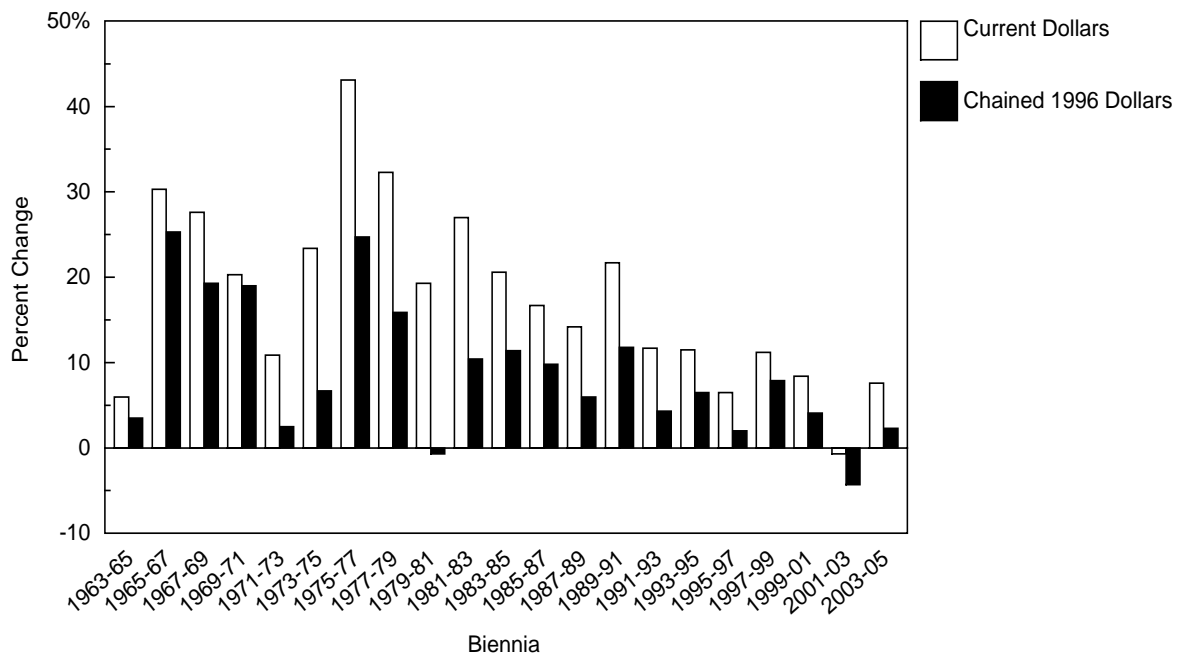
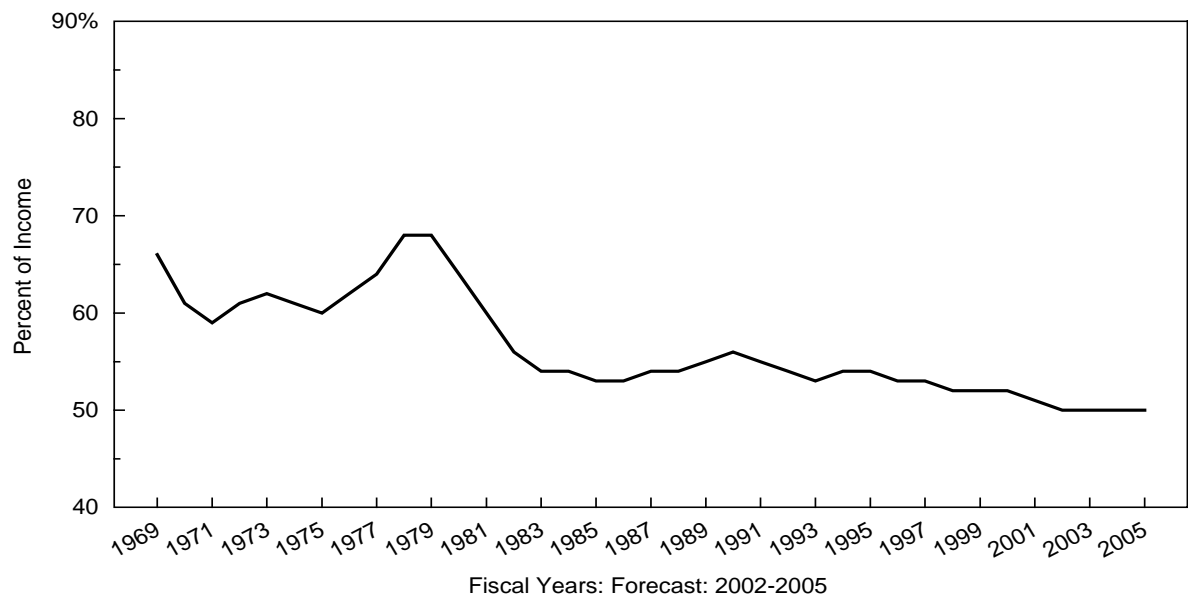


Chart 3.3
Composition of General Fund-State Revenue



Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

taxable sales reported by non-retailing sectors declined 6.3 percent in the first quarter of 2002. The year-over-year change varied widely among sectors. Taxable sales in the contract construction sector, which accounted for about 14 percent of all taxable sales in the first quarter of 2002, declined 11.0 percent. This follows a 7.7 percent decline last quarter. Taxable sales reported by the service sector were 2.7 percent below the year-ago level in the first quarter of 2002, after declining just 0.5 percent last quarter. This sector continues to be hurt by weakness in the travel sector. Hotel/motel establishments reported a 7.3 percent drop in taxable sales in the first quarter, following a 9.2 percent drop in the fourth quarter. Taxable sales reported by the manufacturing sector were down 3.9 percent in the first quarter while wholesale trade sector reported a 14.5 percent drop. Taxable sales reported by the transportation, communications and utility sector increased 4.7 percent and the finance, insurance and real estate sector reported a 7.2 percent increase in taxable sales in the first quarter.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 5.4 percent lower than a year ago in the first quarter of 2002. Taxable sales increased 3.6 percent in the rest of the state. Taxable sales declined 8.1 percent in King County and 3.2 percent in Snohomish County. Taxable sales growth remained positive in Pierce County, increasing 2.3 percent. Taxable sales in Spokane County decrease 3.1 percent. Eastern Washington counties as a whole reported a 0.1 percent decline in taxable sales in the first quarter compared to a 3.2 percent decline west of the Cascades. Taxable sales were down 3.8 percent in metropolitan counties in the first quarter while increasing 7.8 percent in non-metropolitan counties.

The September forecast expects taxable sales to decline 1.4 percent in fiscal 2002, the same as in June. Taxable sales are expected to increase 2.3 percent in fiscal 2003. Although economic growth is expected to resume in fiscal 2003, it is expected to be weak. This will produce weaker than average consumer and business spending and taxable sales growth. The forecast expects modest improvement next biennium.

Table 3.5
Taxable Retail Sales*
September 2002 Forecast
(Millions of Dollars)

Fiscal		Percent
Year	Amount	Change
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,929	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,385	8.0%
2001	85,633	2.7%
2002 ^F	84,427	-1.4%
2003 ^F	86,365	2.3%
2004 ^F	90,243	4.5%
2005 ^F	96,726	7.2%

^F Forecast.

* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Major base changes include: exemption of off-premises food, beginning 1978:3 (fiscal 1979); extension of the sales tax base to off premises food (1982:2 to 1983:2); food again exempt 1983:3 (fiscal 1984). Base extended to some personal services effective July 1994. Exemption of manufacturing equipment effective fiscal 1996. Additional sales tax exemptions (including an exemption for R&D equipment) effective fiscal 1997. Changes in reporting, effective 1997. Additional exemptions effective fiscal 1999, 2000, 2001 and 2002. Additions to the tax base due to increased compliance efforts effective fy 2003. Fiscal 2005 affected by the expiration of the sales tax deferral/exemption program.

Taxable sales are expected to increase 4.5 percent in fiscal 2004 and 7.2 percent in fiscal 2005. Part of the improvement in fiscal 2005 is a result of the expiration of the sales tax deferral/exemption program. This adds about a percent to taxable sales growth in fiscal 2005.

Forecast Change for the 2001-03 and the 2003-05 Biennia

For the 2001-03 budget period, The September 2002 GFS revenue forecast is \$33.8 million lower than in June 2002. A weaker economic outlook for the second year of the biennium more than offset stronger than expected collections since the June forecast. General Fund receipts were \$51.6 higher than expected in the last three months. Consumers continued to spend despite a weak labor market. Record low interest rates have contributed to a relatively strong residential housing market and strong auto sales. However, a weaker national economy and employment growth are expected produce slower state personal income growth in fiscal 2003 which will contribute to less spending going forward. This is expected to produce \$85.4 million less revenue for the remainder of the biennium, more than offsetting the positive collection experience of the past three months.

The GFS forecast for the 2003-05 biennium was reduced \$265.1 million in September. The reduction consisted of a \$345.4 million reduction due to a weaker national and state economic outlook, partially offset by an \$80.4 million non-economic change. The non economic change was the impact of tax law changes affecting GFS revenue in the 2003-05 biennium that were not previously included in the forecast. The majority of the \$345.5 million reduction was due to a slower U.S. recovery, which directly translates to slower state economic and revenue growth.

Table 3.6 summarizes the changes to the September 2002 cash forecast for the 2001-03 and 2003-05 biennia by type of change. Tables 3.7 and 3.8 summarize revisions to the GFS revenue forecast for the 2001-03 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Table 3.9 and 3.10 summarize the change to the GFS revenue forecast for the 2003-05 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source (cash basis). Table 3.12 a fiscal year summary of GFS cash receipts. Below is a brief summary of the non-economic changes to the forecast and the changes by agency.

Non Economic Changes to the Forecast

Non economic changes increased the forecast for GFS revenue for the 2003-05 biennium by \$80.4 million. This revenue increase reflects the impact of tax law changes affecting the 2003-05 biennium that were not previously included in the forecast. These were the enactment of Substitute House Bill 2512 and the expiration of two previously enacted tax incentives: the sales tax deferral/exemption programs and the sales and business and occupation tax reduction for environmental remediation. Shb 2512, which transfers some licensing fee revenue out of the General Fund, is expected to lower the GFS forecast in the 2003-05 biennium by \$1.0 million. The measure was enacted during the 2002 legislative session, however, it was inadvertently left out of the impact of tax law changes on the 2003-05 biennium in the June 2002 forecast. The sales tax deferral /exemption program was first enacted in 1985. It provides a deferral of sales tax for manufacturing firms and R&D activities including plant construction/expansion and acquisition of equipment in counties with high rates of unemployment. In 1994 the deferral stature was amended to waive the repayment of the deferral if certain requirements are met. In addition the deferral/exemption program was expanded for firms engaged in certain areas of high technology. Under current law, the defer-

ral/exemption program is scheduled to terminate on July 1, 2004. In 1998 legislation was enacted that provided for a reduced business and occupation tax rate and a sales tax exemption for firms engaged in activities relating to the clean up of hazardous waste, providing certain criteria are met. This program expires June 30, 2003. Prior to the September 2002 forecast, the deferral/exemption program was incorrectly assumed to continue beyond July 1, 2004 and the environmental remediation incentive was assumed to continue beyond June 30, 2003. This understated GFS revenue for the 2003-05 biennium under current law. The September 2002 forecast fixes these errors. In the September 2002 forecast the sales and business and occupation tax reductions for environmental remediation is assumed to sunset June 30, 2003. This adds \$8.4 million to the GFS forecast for the 2003-05 biennium. The September 2002 forecast assumes the sales tax deferral/exemption expires July 1, 2004, adding \$73 million to the GFS revenue forecast for the 2003-05 biennium.

There are several other tax incentives that are scheduled to expire during the 2003-05 biennium. These include: the high technology credit program, which provides a credit against the business and occupation tax for expenditures by certain businesses engaged in high technology research and development. A business and occupation tax credit for software development and for help-desk services as well as business and occupation/public utility credits for small water districts. These programs were assumed to expire in the 2003-05 biennium when the initial forecast for the 2003-05 biennium was prepared in February 2002. Thus the revenue gain generated by the expiration of these programs (\$17.6 million) are already assumed in the forecast for the 2003-05 biennium.

Department of Revenue

The Department of Revenue collects and administers the majority of GFS revenue, accounting for more than 97 percent of total GFS revenue for the 2001-03 and 2005-05 biennia. The September 2002 forecast of GFS revenue sources administered and collected by the Department of Revenue is \$29.9 million lower than in June for the 2001-03 biennium and \$235.2 million lower for the 2003-05 biennium. For the 2003-05 biennium the change includes a \$316.6 million reduction due to a weaker economic outlook, partially offset by an \$81.4 million increase due to the impact of tax law changes (the expiration of the sales tax deferral/exemption and environmental remediation legislation) not previously included in the forecast.

The largest changes were to the business and occupation tax forecast and to the retail sales tax forecast. The business and occupation tax forecast was reduced \$170.8 million, \$41.4 million in the 2001-03 biennium and \$129.3 million in the 2003-05 biennium. The reduction in the 2003-5 biennium includes a \$2.4 million increase due to the expiration of the preferential business and occupation tax rate for environmental remediation next biennium. The retail sales tax forecast was reduced \$145.0 million, \$52.8 million in the 2001-03 biennium and \$92.2 million in the 2003-05 biennium. The reduction in the 2003-05 biennium consisted of a \$171.2 million reduction due to the weaker economic outlook, partially offset by an increase of \$79.0 million due to the expiration of the sales tax deferral/exemption in fiscal 2005 and to the sales tax exemption for environmental remediation in fiscal 2004 and 2005. There were some positive changes in September. The public utility tax forecast was raised \$23.9 million, \$17.0 million in the 2001-03 biennium and \$6.9 million in the 2003-05 biennium. Stronger than expected collections since the June forecast and a slightly higher forecast for electricity prices next biennium were the primary reasons for the increase. The state portion of the property tax was increased \$19.8 million in September, \$11.5 million in the 2001-03 biennium and \$8.3 million in the 2003-05 biennium. Other changes included a

Table 3.6

Summary of Changes to the General Fund-State Forecast

September 2002 Cash Forecast

(Millions of dollars)

		September 2002 Change
<u>I. 2001-03 Biennium</u>		
<i>Collection Experience</i>		\$51.6
Department of Revenue		
Major Excise ¹	20.6*	
Other ²	29.5	
Department of Licensing ²	0.9	
Other	0.6	
<i>Forecast Change for remainder of the 2001-03 Biennium</i>		(\$85.4)
Department of Revenue	(80.0)	
All other	(5.5)	
Total Change: 2001-03 Biennium***		(\$33.8)
<u>II. 2003-05 Biennium</u>		
<i>Adjustment for tax law changes not previously included in the Forecast**</i>		
Department of Revenue	81.4	\$80.4
Other Agencies	(1.0)	
<i>Forecast Change for remainder of the 2001-03 Biennium</i>		
Department of Revenue	(316.6)	(\$345.5)
All other	(28.9)	
Total Change: 2003-05 Biennium***		(\$265.1)
<u>Total Change: Both Biennium***</u>		(\$298.9)

¹ Based on collections June 11- September 10, 2002; retail sales, B&O, use & public utility taxes.² Variance based on collections June 2002 through August 2002.

* Retail sales, business and occupation, use, public utility and other tobacco products taxes

** Adjustment to the forecast for 2002 legislation (shb 2512) and for two expiring tax incentives (the sales tax deferral/exemption and environmental remediation) that were not previously included in the forecast.

*** Detail may not add due to rounding

Table 3.7

Comparison of the General Fund-State Forecast by Agency
2001-03 Biennium; Cash Basis
(Millions of dollars)

<u>Forecast by Agency</u>	<u>June 2002 Forecast¹</u>	<u>Non- Economic Changes</u>	<u>September 2002 Revision</u>	<u>September 2002 Forecast</u>	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$11,053.5	0.0	(\$52.8)	\$11,000.7	(\$52.8)
Business & Occupation Use	3,869.5	0.0	(41.4)	3,828.1	(41.4)
Public Utility	771.7	0.0	1.5	773.2	1.5
Liquor Sales/Liter	514.9	0.0	17.0	531.9	17.0
Cigarette	180.7		0.7	181.4	0.7
Property (State Levy)	115.4		0.1	115.5	0.1
Real Estate Excise	2,582.5		11.5	2,594.0	11.5
Timber Excise	794.6		20.1	814.7	20.1
Other	16.3		1.0	17.3	1.0
Subtotal	702.3	0.0	12.4	714.7	12.4
	20,601.4	0.0	(29.9)	20,571.6	(29.9)
<i>Department of Licensing</i>					
Boat excise, licenses & fees	41.1	0.0	0.5	41.6	0.5
<i>Insurance Commissioner</i>					
Insurance Premiums	373.6		3.4	377.0	3.4
<i>Liquor Control Board</i>					
Liquor Profits and Fees	55.4	0.0	0.3	55.8	0.3
Beer & Wine Surtax	3.3		(0.0)	3.3	(0.0)
<i>Lottery Commission</i>					
Lottery Revenue	27.8	0.0	(10.7)	17.2	(10.7)
<i>State Treasurer</i>					
Interest Earnings	43.8	0.0	0.6	44.3	0.6
<i>Office of Financial Management</i>					
Other	(6.3)	0.0	1.9	(4.4)	1.9
<u>Total General Fund-State *</u>	\$21,140.2	\$0.0	(\$33.8)	\$21,106.3	(\$33.8)

¹ The General Fund State Revenue Forecast adopted by the Economic and Revenue Forecast Council in June 2002.

* Detail may not add to totals due to rounding.

Table 3.8

**Comparison of the General Fund-State Forecast by Agency
2001-03 Biennium; GAAP Basis**

(Millions of dollars)

Forecast by Agency	June 2002 Forecast¹	Non- Economic Changes	Forecast Revision	September 2002 Forecast	Total Change
Department of Revenue					
Retail Sales	\$11,098.2		(\$33.9)	\$11,064.3	(\$33.9)
Business & Occupation Use	3,890.4		(77.5)	3,812.9	(77.5)
Public Utility	771.5		2.5	774.0	2.5
Liquor Sales/Liter	517.1		16.3	533.4	16.3
Cigarette	181.6		0.9	182.6	0.9
Property (State Levy)	115.9		(1.4)	114.5	(1.4)
Real Estate Excise	2,577.6		11.6	2,589.3	11.6
Timber Excise	798.8		18.7	817.5	18.7
Other	16.3		1.0	17.3	1.0
Subtotal	702.0		10.0	712.0	10.0
	20,669.6		(51.8)	20,617.8	(51.8)
Department of Licensing					
Boat excise, licenses & fees	41.3		1.7	43.0	1.7
Insurance Commissioner					
Insurance Premiums	373.6		3.4	377.0	3.4
Liquor Control Board					
Liquor Profits and Fees	55.4		0.3	55.8	0.3
Beer & Wine Surtax	3.3		(0.0)	3.3	(0.0)
Lottery Commission					
Lottery Revenue	27.8		(10.7)	17.2	(10.7)
State Treasurer					
Interest Earnings	39.4		0.3	39.6	0.3
Office of Financial Management					
Other	(6.4)		2.5	(3.9)	2.5
Total General Fund-Stat	\$21,204.1	\$0.0	(\$54.2)	\$21,149.9	(\$54.2)

¹ The General Fund State Revenue Forecast adopted by the Economic and Revenue Forecast Council in June 2002.

* Detail may not add to totals due to rounding

Table 3.9
Comparison of the General Fund-State Forecast by Agency
2003-2005 Biennium; Cash Basis
(Millions of Dollars)

Forecast by Agency	June 2002 Forecast¹	Non- Economic Changes²	Forecast Revision	September 2002 Forecast	Total Change
<i>Department of Revenue</i>					
Retail Sales	\$12,147.9	\$79.0	(\$171.2)	\$12,055.7	(\$92.2)
Business & Occupation Use	4,377.6	2.4	(131.7)	4,248.3	(129.3)
Public Utility	885.5	0.0	(13.5)	871.9	(13.5)
Liquor Sales/Liter	539.6	0.0	6.9	546.4	6.9
Cigarette	184.3		(1.2)	183.1	(1.2)
Property (State Levy)	101.0		0.4	101.4	0.4
Real Estate Excise	2,450.1		8.3	2,458.4	8.3
Timber Excise	889.7		(13.0)	876.7	(13.0)
Other	9.8		0.1	9.9	0.1
Subtotal	741.5	0.0	(1.6)	739.9	(1.6)
	22,327.0	81.4	(316.6)	22,091.8	(235.2)
<i>Department of Licensing</i>					
Boat excise, licenses & fees	42.8	(1.0)	0.1	41.9	(0.9)
<i>Insurance Commissioner</i>					
Insurance Premiums	404.2	0.0	1.3	405.5	1.3
<i>Liquor Control Board</i>					
Liquor Profits and Fees	57.5	0.0	3.7	61.2	3.7
Beer & Wine Surtax	3.5	0.0	(0.0)	3.5	(0.0)
<i>Lottery Commission</i>					
Lottery Revenue	64.0	0.0	(14.0)	50.0	(14.0)
<i>State Treasurer</i>					
Interest Earnings	48.3	0.0	(14.7)	33.5	(14.7)
<i>Office of Financial Management</i>					
Other	18.1	0.0	(5.3)	12.8	(5.3)
<u>Total General Fund-State *</u>	\$22,965.2	\$80.4	(\$345.5)	\$22,700.1	(\$265.1)

1 The General Fund-State forecast for the 2003-05 biennium adopted June 2002.

2 The impact of tax law changes affecting the 2003-05 General Fund-State revenue not previously included in the forecast.

* Detail may not add to totals because of rounding.

Table 3.10

**Comparison of the General Fund-State Forecast by Agency
2003-2005 Biennium; GAAP Basis**

(Millions of dollars)

Forecast by Agency	June 2002 Forecast¹	Non- Economic Changes²	Forecast Revision	September 2002 Forecast	Total Change
<i>Department of Revenue</i>					
Retail Sales	\$12,196.4	\$79.0	(\$171.4)	\$12,104.0	(\$92.4)
Business & Occupation Use	4,397.9	2.4	(134.6)	4,265.7	(132.2)
Public Utility	889.2	0.0	(14.5)	874.7	(14.5)
Liquor Sales/Liter	543.2	0.0	6.4	549.6	6.4
Cigarette	184.2		(0.6)	183.7	(0.6)
Property (State Levy)	101.1		0.4	101.5	0.4
Real Estate Excise	2,450.3		8.1	2,458.4	8.1
Timber Excise	893.3		(13.0)	880.3	(13.0)
Other	9.8		0.1	9.9	0.1
Subtotal	742.4	0.0	(1.6)	740.8	(1.6)
	22,407.8	81.4	(320.7)	22,168.5	(239.3)
<i>Department of Licensing</i>					
Boat excise, licenses & fees	42.8	(1.0)	1.4	43.2	0.5
<i>Insurance Commissioner</i>					
Insurance Premiums	404.2	0.0	1.3	405.5	1.3
<i>Liquor Control Board</i>					
Liquor Profits and Fees	57.5	0.0	3.7	61.2	3.7
Beer & Wine Surtax	3.5	0.0	(0.0)	3.5	(0.0)
<i>Lottery Commission</i>					
Lottery Revenue	64.0	0.0	(14.0)	50.0	(14.0)
<i>State Treasurer</i>					
Interest Earnings	49.4	0.0	(14.6)	34.8	(14.6)
<i>Office of Financial Management</i>					
Other	18.1	0.0	(5.3)	12.8	(5.3)
<u>Total General Fund-State*</u>	\$23,047.2	\$80.4	(\$348.2)	\$22,779.5	(\$267.7)

¹The General Fund-State forecast for the 2003-05 biennium adopted June 2002.

² The impact of tax law changes affecting the 2003-05 General Fund-State revenue not previously included in the forecast.

* Detail may not add to totals due to rounding.

Table 3.11
September 2002 General Fund-State Forecast
2001-03 & 2003-05 Biennia; Cash Basis
(Millions of dollars)

Forecast by Source	Fiscal 2001^a	Fiscal 2002^p	Fiscal 2003	2001-03 Biennium	Fiscal 2004	Fiscal 2005	2003-2005 Biennium
State Taxes							
Retail sales	\$5,503.1	\$5,435.7	\$5,565.0	\$11,000.7	\$5,836.4	\$6,219.3	\$12,055.7
Business & occupation	1,961.6	1,914.0	1,914.1	3,828.1	2,049.9	2,198.4	4,248.3
Use	399.8	376.5	396.7	773.2	424.3	447.6	871.9
Public Utility	259.1	264.6	267.3	531.9	268.2	278.2	546.4
Liquor sales/liter	87.2	90.4	91.0	181.4	91.3	91.8	183.1
Beer & wine surtax	1.6	1.6	1.7	3.3	1.7	1.7	3.5
Cigarette	68.2	62.6	52.9	115.5	51.4	50.0	101.4
Tobacco products	16.7	15.5	12.9	28.4	13.8	14.3	28.1
Property (state school levy)**	1,349.9	1,281.8	1,312.2	2,594.0	1,357.0	1,101.4	2,458.4
Public utility district	29.9	31.5	32.9	64.4	34.4	36.4	70.8
Real estate excise	400.4	399.1	415.6	814.7	423.1	453.7	876.7
Timber excise	15.2	10.0	7.3	17.3	4.9	5.0	9.9
Estate/inheritance	107.1	114.5	105.6	220.1	111.0	114.8	225.8
Motor Veh. Exc. & Rental Car	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Boat excise	11.4	11.4	11.5	22.9	11.8	12.2	24.0
Insurance premiums	179.5	184.3	192.7	377.0	198.2	207.3	405.5
Other	136.5	131.0	133.7	264.6	136.1	143.0	279.1
Total Taxes	10,527.3	10,324.5	10,513.1	20,837.6	11,013.6	11,375.1	22,388.7
State Non-Tax Sources							
Licenses, permits, fees	75.5	77.8	76.2	154.0	80.0	82.9	162.8
Liquor profits & fees	29.1	29.3	26.5	55.8	30.0	31.2	61.2
Earnings on investments	77.1	33.7	10.7	44.3	12.7	20.8	33.5
Lottery transfers	110.0	0.0	17.2	17.2	24.2	25.8	50.0
Other revenue & transfers	9.9	(11.4)	8.9	(2.5)	1.0	2.9	3.9
Total Non-Tax	301.6	129.4	139.4	268.8	147.9	163.6	311.5
Total Genral Fund-State *	\$10,828.9	\$10,453.9	\$10,652.5	\$21,106.3	\$11,161.5	\$11,538.7	\$22,700.1

A Actual

P Preliminary

* Detail may not add to totals due to rounding.

** General Fund-State portion of the state levy AFTER tranfers to the Student Achievement Account.

Table 3.12

General Fund - State Cash Receipts

September 2002 Forecast by Fiscal Year

Millions of Dollars

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,801.9	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
Forecast		
2002	10,453.9	-3.5%
2003	10,652.5	1.9%
2004	11,161.5	4.8%
2005	11,538.7	3.4%

Table 3.13

Track Record for the 2001-03 General Fund-State Cash Forecast

February 2000 through September 2002

(Millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies*</u>	<u>Subtotal*</u>	<u>Legislation**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2000****	\$21,728	\$805				\$22,534
Changes to Forecast						
June 2000	99	(25)	74	(3) ¹	71	22,604
September 2000	158	(1)	157	5 ²	162	22,766
November 2000	32	12	43	(482) ³	(439)	22,327
March 2001	(126)	2	(124)	12 ⁴	(112)	22,216
June 2001	(61)	(29)	(89)	(27) ⁵	(116)	22,099
September 2001	(101)	6	(96)	18 ⁶	(77)	22,022
November 2001	(698)	(81)	(779)	(34) ⁷	(813)	21,209
February 2002	(269)	3	(266)	19 ⁸	(247)	20,962
June 2002	54	31	85	93 ⁸	178	21,140
September 2002	(30)	(4)	(34)	0 ⁹	(34)	21,106
Total Change***						
From February 2000	(\$942)	(\$86)	(\$1,028)	(\$399)	(\$1,427)	
Percent change	-4.3%	-10.7%	-4.6%	-1.8%	-6.3%	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

**** First official forecast for the 2001-03 biennium.

1 Impact of 2000 legislation. Note the impact of the Telepage court case (extending the sales tax to paging services). This impact is included as a Department of Revenue forecast change.

2 Revised impact of the salmon recovery timber tax credit.

3 Impact of Initiatives 722 and 728. The estimate of initiative 728 is based on OFM analysis, subject to continuing review.

4 Adjustment to the impact of Initiatives 722 and 728.

5 Impact of 2001 legislation (regular session) and the phase-out of the Federal estate tax.

6 Impact of 2001 legislation (special session).

7 Impact of I-747 and I-773 on GFS revenue.

8 Adjustment to the estate tax.

9 General Fund-State impact of 2002 legislation.

\$7.1 million increase to the real estate excise tax. This was comprised of a \$20.1 million increase in the 2001-03 biennium, which was partially offset by a \$13.0 million reduction in the 2003-05 biennium. The increase this biennium reflects a strong residential housing market fuel by near record low mortgage rates. The reduction next biennium reflects weaker housing demand due to slower economic growth as well as rising mortgage interest rates.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from professional licenses, boat excise tax, and boat registration. The Department's General Fund-State forecast for the 2001-03 biennium has been increased \$0.5 million to \$41.6 million and its forecast for the 2003-05 biennium has been decreased \$0.9 million to \$41.9 million.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the 2001-03 biennium has been increased \$1.9 million and now stands at negative \$4.4 million. The negative forecast indicates that General Fund revenue and transfers from the General Fund to the agencies overseen by the OFM are expected to exceed the revenue and transfers to the General Fund by those agencies. The OFM's forecast for the 2003-05 biennium has been decreased \$5.3 million to \$12.8 million. Reductions in the OFM's forecasts were due mainly to forecast revenue reductions from the Department of Financial Institutions.

State Treasurer

The forecast and actual experience of the Office of the State Treasurer is based primarily on rate conditions and average daily balances for the funds within the Treasurer's control. The office's forecasted General Fund-State revenues for the 2001-03 biennium were increased \$0.6 million to \$44.3 million. The office's forecast for the 2003-05 biennium has been decreased \$14.7 million to \$33.5 million due to a reduction in the forecast of prevailing interest rates in that period.

Insurance Commissioner

The forecast for the Office of the Insurance Commissioner is based on projections for premium volume of insurance companies in the State of Washington. Expectations are based on both insurance rate changes and the growth of premium volume. The office's General Fund-State forecast for the 2001-03 biennium was increased \$3.4 million to \$377.0 million due to increased forecasted and actual premium volume. The office's forecast for the 2003-05 biennium was increased \$1.3 million to \$405.5 million.

Liquor Control Board

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The agency's forecast for the 2001-03 biennium was increased by \$0.3 million. The agency's forecast for the current biennium is \$55.8 million from excess funds and fees and \$3.3 million from beer and wine surtaxes. The agency's forecast for

the 2003-05 biennium was increased \$3.7 million resulting in a forecast of \$61.2 million from excess funds and fees and \$3.5 million from beer and wine surtaxes. Increases in the forecasts for excess funds and fees represent planned efficiency improvements in the agency's operations.

Lottery Commission

Under Engrossed Second Substitute Senate Bill 6560, starting in fiscal 2003 the Lottery Commission will once again transfer the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, Lottery revenues of \$102 million per year continue to be allocated to the School Construction and Student Achievement funds. The Commission's forecast of revenues available to transfer to the General Fund for the 2001-03 biennium was decreased by \$10.7 million to \$17.2 million and the forecast for the 2003-05 biennium was decreased \$14.0 million to \$50.0 million. The reductions were due to revised forecasts of sales of Lottery products.

Track Record for the 2001-03 Biennium

The September 2002 GFS cash receipts forecast for the 2001-03 biennium is \$21,106.3 million. This is \$33.8 million less than the June 2002 forecast. The September 2002 forecast is \$1.4 billion below the February 2000 forecast, which was the initial forecast for the biennium. However, some of this reduction reflects non-economic changes. Excluding the impact of non-economic factors, primarily the impact of Initiative 728 and legislative changes, the September 2002 forecast is \$1,028 million (4.6 percent) lower than the February 2000 forecast. There have been ten revisions to the forecast for the 2001-03 biennium since February 2000. There have been four increases to the forecast and six reductions (including the September 2002 change). Table 3.13 summarizes the changes to the GFS forecast for the 2001-03 biennium since February 2000.

The Relationship between the Cash and GAAP General Fund-State Revenue Forecasts

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GFS revenue forecast on both a cash and GAAP basis. Thus, there are two related but distinct GFS forecasts summarized in this chapter: a cash receipts forecast and a GAAP revenue forecast. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GFS forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.8 and 3.10 are on a cash basis.

Table 3.14 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 1999-01 biennium totaled \$21,287.8 million on a GAAP basis, \$25.8 million higher than the \$21,262.1 million cash receipts total. The GAAP forecast for the 2001-03 biennium is \$21,149.9 million, \$43.6 million more than the \$21,106.3 million cash forecast. The GFS forecast

for the 2003-05 biennium is \$22,779.5 million on a GAAP basis, \$79.4 million more than the \$22,700.1 million cash forecast.

Table 3.15 presents the budgetary balance sheet for the 2001-03 biennium. Like many other states, Washington faced a significant General Fund budget shortfall for the 2001-03 biennium. This problem was addressed during the 2002 legislative session last spring. Significant expenditure reductions, fund transfers as well as the use of part of the tobacco settlement revenue resulted in a projected \$342.7 million unrestricted fund balance for June 30, 2003. The September 2002 reduction to the revenue forecast reduces the projected unrestricted ending balance to \$308.6 million.

While the budget shortfall for the 2001-03 biennium has been addressed, the problem is not over. The outlook for revenue and expenditures indicate that Washington will again face a significant budget shortfall in the 2003-05 biennium. The problem will be first addressed when the Governor proposes a budget for the 2003-05 biennium in December.

Alternative Forecast for the 2001-03 Biennium

The September 2002 baseline forecast assumes the current recession in Washington is ending. While the recovery is expected to be weaker than previously assumed, the Washington economy is expected to slowly grow for the remainder of the 2001-03 biennium and throughout the next biennium. Of course there are no guarantees. The near term outlook is shaky both at the national and state level. Business spending has yet to improve and consumer confidence may be waning. In such a fragile economic environment it would not take much of a shock to further slow the U.S. recovery or even to cause another recession. On the other hand, things always seem the bleakest when you are at the bottom. Economists have continued to underestimate the resilience of the economy, especially the consumer. This could continue, producing a stronger than expected recovery. These possibilities are addressed in the September 2002 alternative forecasts for the 2001-03 biennium.

In the optimistic scenario consumer and business confidence returns to more normal levels sooner than is assumed in the baseline forecast. This allows consumer spending to remain strong and for business spending to recover sooner and stronger than assumed in the baseline forecast. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 1.3 percent higher than the baseline by the beginning of fiscal year 2003 and is 2.4 percent higher by the end of the 2001-03 biennium. State wage and salary employment is 6,700 greater than the baseline by the third quarter of 2002 and is nearly 26,300 higher by the last quarter of the 2001-03 biennium.

While the pessimistic scenario does not assume a "double-dip" recession, economic growth slows to about half of what is expected in the baseline forecast and falls to near zero by the end of the 2001-03 biennium. In this scenario, Washington State personal income is 1.3 percent below the baseline estimate at the start of fiscal year 2003 and 2.9 percent less than the baseline by the end of the 2001-03 biennium. Wage and salary employment is 6,600 lower than the baseline by the third quarter of 2002 and 33,200 less by the second quarter of 2003.

Table 3.16 shows the revenue implications of these alternative scenarios for the 2001-03 biennium. The optimistic scenario generates \$21,378.9 million GFS revenue in the 2001-03 biennium. This is \$272.5 million more than the baseline forecast. The pessimistic alternative produces only \$20,826.0 million GFS revenue in the 2001-03 biennium, \$280.3 million less than the baseline forecast.

In addition to the official optimistic and pessimistic alternatives, we routinely prepare a third alternative forecast. This is developed by averaging the forecasts for several key economic variables made by members of the Governor's Council of Economic Advisors (GCEA). The September GCEA scenario was based on the forecasts of six members of the Governor's Council of Economic Advisors. The GCEA alternative produces \$17 million less GFS revenue than the baseline forecast for the 2001-03 biennium.

Table 3.14

Track Record for the 2003-05 General Fund-State Cash Forecast

February 2002 through September 2002

(Millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies*</u>	<u>Subtotal*</u>	<u>Legislation**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2002****	\$22,225	\$565				\$22,790
Changes to Forecast						
June 2002	(53)	23	(30)	205 ¹	175	22,965
September 2002	(317)	(29)	(346)	80 ²	(265)	22,700
Total Change***						
From February 2002	(\$369)	(\$6)	(\$375)	\$285	(\$90)	
Percent change	-1.7%	-1.0%	-1.6%	1.3%	-0.4%	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

**** First official forecast for the 2001-03 biennium.

¹ Change to the forecast due to 2002 legislation.² Adjustment to the forecast for 2002 legislation (SHB 2512) and for the expiration of two tax incentive programs not previously included in the forecast.

Table 3.15
September 2002 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis
(Millions of dollars)

Agency	1999-01 Biennium			2001-03 Biennium			2003-05 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$20,342.3	\$20,355.3	\$12.9	\$20,500.4	\$20,553.1	\$52.7	\$22,032.2	\$22,109.0	\$76.8
Department of Licensing	42.6	42.4	(0.2)	41.6	43.0	1.5	41.9	43.2	1.3
Insurance Commissioner ⁴	360.4	360.5	0.1	384.3	384.3	0.0	413.4	413.4	0.0
State Treasurer	148.3	148.1	(0.2)	44.3	39.6	(4.7)	33.5	34.8	1.3
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	175.0	175.1	0.0	162.2	163.1	0.9	164.5	164.5	(0.0)
Subtotal: General Fund-State Cash/Revenue*	21,068.6	21,081.4	12.8	21,132.7	21,183.1	50.4	22,685.6	22,765.0	79.4
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	81.6	84.2	2.6	71.1	64.7	(6.4)	59.5	59.5	0.0
Lottery Commission	203.3	212.6	9.3	17.2	17.2	0.0	50.0	50.0	0.0
Insurance Commissioner ⁷	(6.2)	(6.2)	0.0	(7.3)	(7.3)	0.0	(7.9)	(7.9)	0.0
Liquor Control Board	57.9	57.9	0.0	59.1	59.1	0.0	64.7	64.7	0.0
Office of Financial Management									
Other Agencies ⁸	(143.1)	(142.0)	1.1	(166.5)	(166.9)	(0.4)	(151.7)	(151.7)	0.0
Subtotal: GFS Other Financing Sources	193.5	206.5	13.0	(26.4)	(33.2)	(6.8)	14.5	14.5	0.0
Total Available Receipts/Resources									
General Fund-State *	\$21,262.1	\$21,287.8	\$25.8	\$21,106.3	\$21,149.9	\$43.6	\$22,700.1	\$22,779.5	\$79.4

* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

2 General Fund-State Revenue Forecast on a GAAP (Generally accepted accounting principles) basis, used to show the state revenue position for financial reporting purposes.

3 Excludes the state share of the timber tax and unclaimed property transfers.

4 Total insurance premiums tax.

5 Other financing sources represent transfers to/from other funds from/to the General Fund.

6 Includes the state share of the timber excise tax and unclaimed property transfers.

7 Forty percent of fire insurance premiums.

8 Agency 701 and accounting sources: 480 and 481 for all other agencies.

Table 3.16

2001-03 Balance Sheet

General Fund-State

Dollars in Millions

RESOURCES	
Beginning Fund Balance	599.1
June 2002 Revenue Forecast	21,140.2
September 2002 Revenue Forecast Update	(33.8)
Current Revenue Totals	21,106.3
Enacted Budget Fund Transfers to General Fund	279.6
Tobacco Securitization	450.0
Transfer from Emergency Reserve Fund	325.0
Total Resources	22,760.0
APPROPRIATIONS AND SPENDING LIMIT	
Biennial Appropriation	22,783.2
2002 Supplemental Budget *	(331.8)
Spending Level	22,451.4
Adjusted I-601 Expenditure Limit **	23,260.1
UNRESTRICTED GENERAL FUND RESERVES	
Projected Ending Fund Balance	308.6
EMERGENCY RESERVE FUND	
Beginning Balance	462.1
Transfer to the General Fund	(325.0)
Transfer to Transportation	(70.0)
Projected Interest Earnings	13.0
Appropriation for Earthquake/Drought Accounts	(25.0)
Projected Ending Fund Balance	55.1

* The Governor vetoed an additional \$2.9 million enhancement for home care workers wages and placed the amount in allotment reserve. The funds are still included in the appropriation. This figure also includes \$253,000 in expenditures above the biennial appropriation, which are permitted by law, to fund National Guard firefighting activities and Law Enforcement Officer/Firefighter retirement contributions.

** Based on analysis of statutory provisions concerning limitations on the use of Emergency Reserve Funds (ERF), the currently estimated spending limit was not adjusted for the transfer of ERF money to the General Fund.

Source: The Office of Financial Management and House and Senate Fiscal Committees.

Table 3.17

September 2002 Alternative Forecasts Compared to the Baseline Forecast
2001-03 Biennium
(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
<i>Department of Revenue</i>			
Retail Sales	\$11,100.0	\$11,000.7	\$10,892.1
Business & Occupation	3,860.7	3,828.1	3,792.9
Use	770.6	773.2	765.6
Public Utility	534.1	531.9	530.2
Property (school levy)	2,653.0	2,594.0	2,541.5
Real Estate Excise	824.6	814.7	801.9
Other	1,061.2	1,028.9	1,003.9
Subtotal	20,804.2	20,571.6	20,328.2
<i>Department of Licensing</i>	42.2	41.6	40.9
<i>Insurance Commissioner¹</i>	381.8	377.0	372.2
<i>Lottery Commission</i>	29.1	17.2	0.0
<i>State Treasurer - Interest earnings</i>	60.4	44.3	35.5
<i>Liquor Profits & Fees²</i>	59.7	59.1	58.5
<i>Office of Financial Management</i>			
Other agencies	1.5	(4.4)	(9.3)
Total General Fund - State*	\$21,378.9	\$21,106.3	\$20,826.0
Difference from September 2002 Baseline	\$272.5		(\$280.3)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.18

Impact of Initiative 728 on the State Property Tax and Lottery Revenue

Millions of Dollars

I. Disposition of the State portion of the Property Tax

	State Levy: Total Receipts	Disposition of Receipts from the State Levy	
		To the General Fund	To the Student Achievement Account ¹
2000	\$1,302.0	1,302.0	
2001	\$1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,415.0	1,281.8	133.1
2003	1,446.1	1,312.2	133.9
2001-03 Biennium	2,861.0	2,594.0	267.0
2004	1,491.4	1,357.0	134.4
2005	1,534.6	1,101.4	433.2
2003-05 Biennium	3,026.0	2,458.4	567.6

II. Lottery Transfers by Fund*

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account ¹	School Construction Account ¹	Transfer to VERDE ²
1998	117.8	114.6	3.2	0.0			
1999	118.6	107.5	3.3	7.8			
1999-01 Biennium	236.3	222.0	6.5	7.8			
2000	101.1	93.3	3.4	4.4			
2001	120.1	110.0	3.6	6.5			
1999-01 Biennium	221.3	203.3	7.0	10.9			
2002	90.2	0.0	3.7	6.7	39.9	39.9	
2003	133.6	17.2	3.9	7.0	78.0	27.0	0.5
2001-03 Biennium	223.8	17.2	7.6	13.8	117.9	66.9	0.5
2004	137.6	24.2	4.0	7.3	76.5	25.5	
2005	139.5	25.8	4.2	7.6	0.0	102.0	0.0
2003-05 Biennium	277.1	50.0	8.2	14.9	76.5	127.5	0.0

* Cash Basis Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administration etc.)

¹ Initiative 728 directs a portion of the state levy to the Student Achievement Account and lottery revenue to the Student Achievement Account and the School Construction Fund. Prior to Initiative 728 this revenue went into the General Fund.

² Transfer to the Violence Reduction and Drug Education Account required by 2002 legislation (SSB 6560).

Washington Gross State Product by Industry, 2000

The U.S. Department of Commerce, Bureau of Economic Analysis (BEA) periodically revises and updates its estimates for gross state product (GSP). In June 2002, GSP estimates for the years 1998-99 were revised and new estimates for 2000 were released. Data from this release for years not included in this report are available through the BEA (www.bea.gov) or the Office of the Forecast Council.

Gross State Product is derived as the sum of gross state product originating in all industries in the State. In concept, an industry's GSP, referred to as its "value added," is equivalent to the value of its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus the value of its intermediate inputs (consumption of goods and services purchased from other industries or imported). As such, it is often referred to as the State counterpart of the nation's gross domestic product (GDP). In practice, GSP estimates are measured as the sum of distributions by industry of the components of gross domestic income. The difference between GDP and gross domestic income is the statistical discrepancy.

Chart 4.1 shows 2000 GSP by state (including the District of Columbia), with California leading all states with \$1.345 trillion and North Dakota with the lowest GSP at \$18 billion. Washington ranked 14th with \$220 billion, showing no change in rank between 1999 and 2000.

Chart 4.2 represents the industrial composition of Washington gross state product in 1977 (the first year of BEA GSP estimates) versus 2000. During this period, the chart shows declines in agriculture and related fields, manufacturing, mining and construction, government, and trade as a percentage of Washington gross state product. The remaining three categories: services, transportation and utilities, and finance, insurance, and real estate, grew in relative importance, with most of the growth occurring in the category of services.

Chart 4.3 details GSP by component and shows only slight changes in the proportion of indirect business taxes, compensation, and other GSP from 1977 to 2000. **Table 4.1** shows Washington GSP and U.S. gross domestic product from 1977 to 2000, and Washington State GSP as a percentage of U.S. total gross domestic product. During this time, Washington's average growth rate of GSP was higher than that of the U.S. GDP, which increased Washington's contribution to the U.S. gross product from 1.8 percent in 1977 to 2.2 percent in 2000. **Table 4.2** shows Washington GSP by industry from 1991 to 2000, **Table 4.3** details real Washington GSP estimates by industry from 1991 to 2000, and **Table 4.4** details the components of GSP by industry in 2000.

Chart 4.1
2000 Gross State Product
 Billions of Dollars

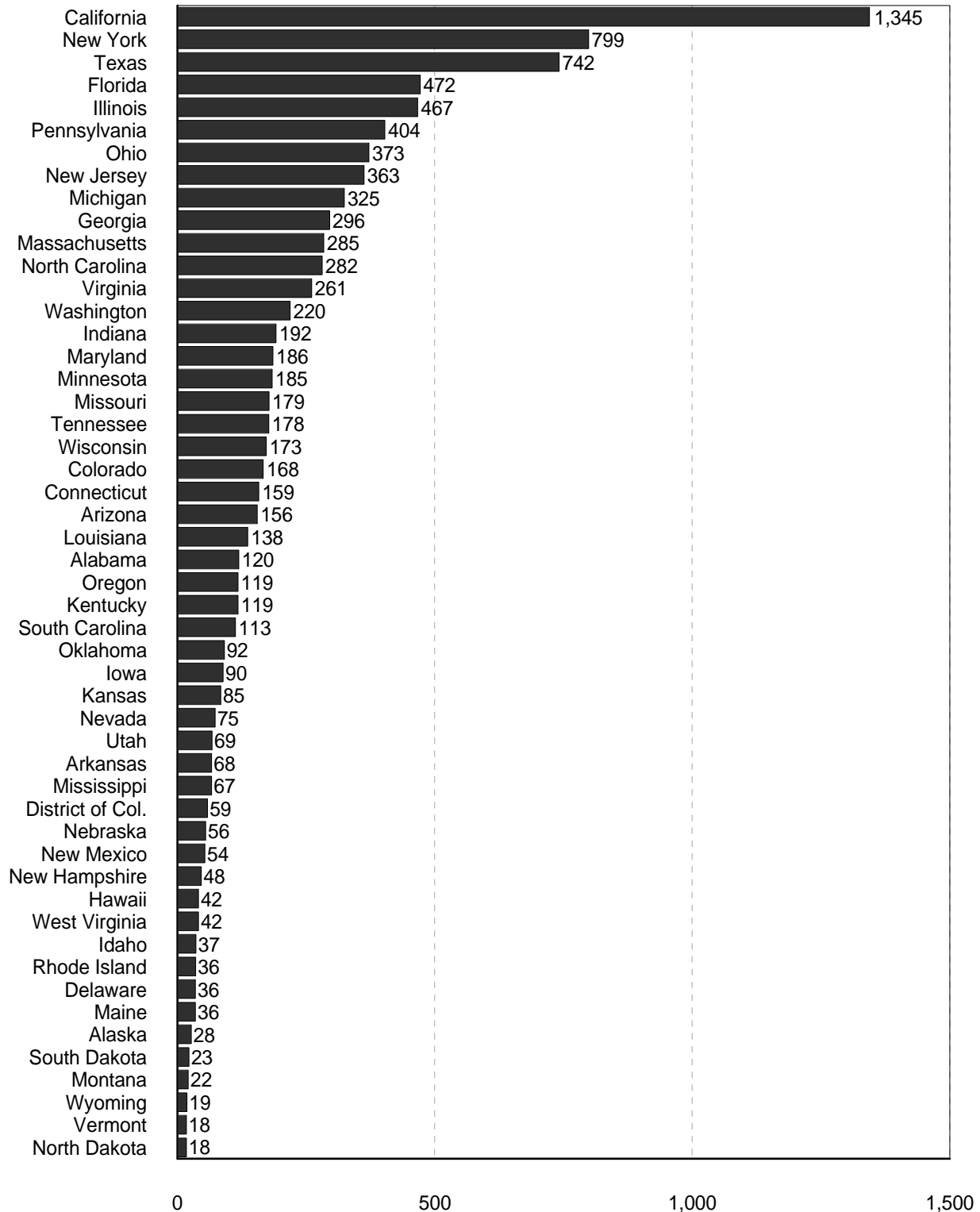


Chart 4.2
Washington GSP by Industry
 1977 vs. 2000

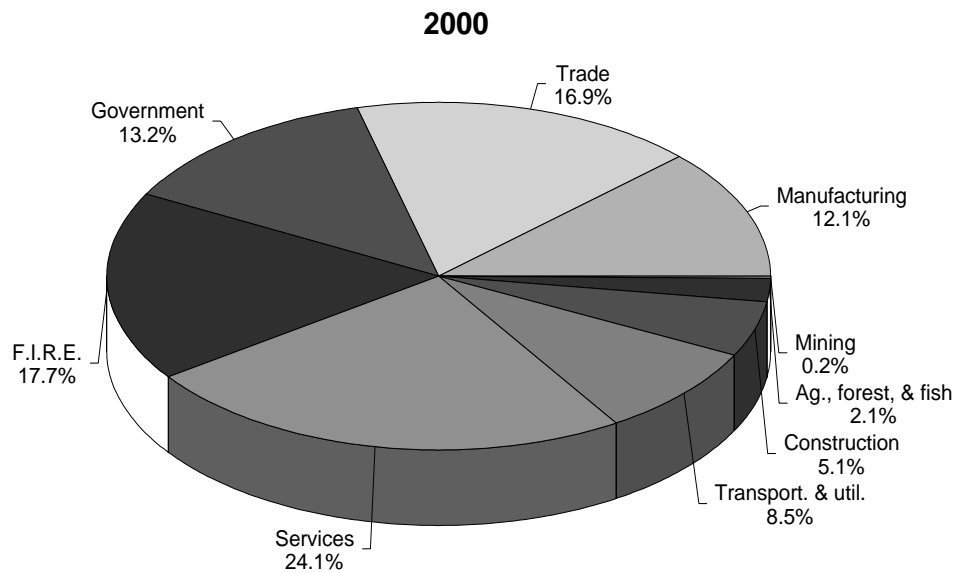
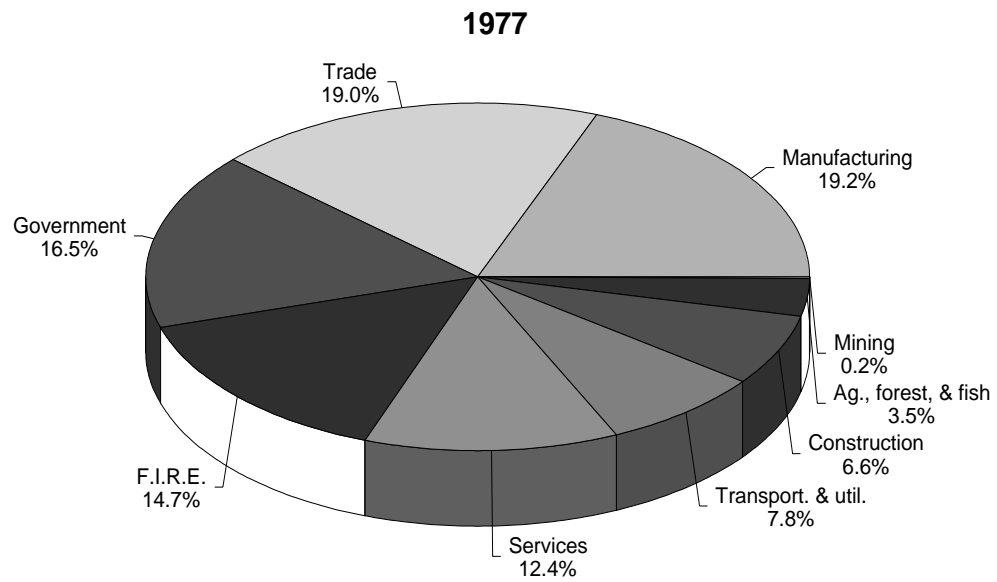


Chart 4.3
Washington GSP by Component
1977 vs. 2000

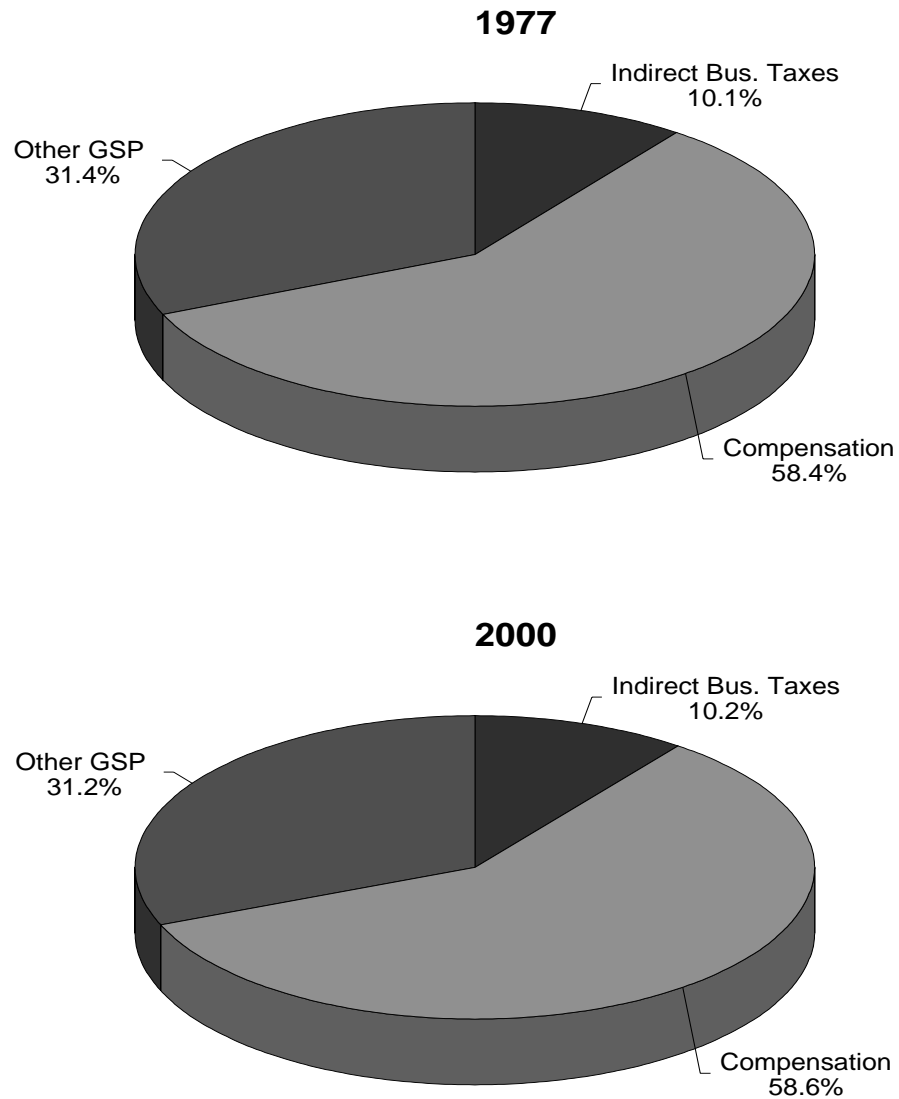


Table 4.1

Washington and U.S. Gross Product (millions of current dollars)

1977 through 2000

	Washington	U.S.	Percent of U.S. Economy
1977	\$35,970	\$1,985,693	1.81%
1978	\$42,027	\$2,249,045	1.87%
1979	\$48,217	\$2,503,867	1.93%
1980	\$51,990	\$2,731,618	1.90%
1981	\$57,724	\$3,069,751	1.88%
1982	\$60,755	\$3,217,626	1.89%
1983	\$65,402	\$3,446,583	1.90%
1984	\$71,132	\$3,866,334	1.84%
1985	\$74,532	\$4,151,449	1.80%
1986	\$80,491	\$4,355,877	1.85%
1987	\$86,860	\$4,683,245	1.85%
1988	\$95,583	\$5,092,174	1.88%
1989	\$104,655	\$5,411,353	1.93%
1990	\$115,482	\$5,706,658	2.02%
1991	\$122,453	\$5,895,430	2.08%
1992	\$130,620	\$6,209,096	2.10%
1993	\$138,225	\$6,513,026	2.12%
1994	\$146,308	\$6,930,791	2.11%
1995	\$151,265	\$7,309,516	2.07%
1996	\$161,779	\$7,715,901	2.10%
1997	\$175,242	\$8,224,960	2.13%
1998	\$192,031	\$8,750,174	2.19%
1999	\$209,338	\$9,279,697	2.26%
2000	\$219,937	\$9,941,552	2.21%

Table 4.2

Washington Gross State Product by Industry
(Millions of Dollars)

	1991	1992	1993	1994	1995
Total gross state product	122,453	130,620	138,225	146,308	151,265
Agriculture, forestry, and fishing	3,607	3,889	4,055	3,972	4,064
Farms	1,962	2,338	2,444	2,316	2,322
Agricultural services, forestry, and fishing	1,645	1,551	1,611	1,656	1,742
Mining	303	297	281	386	397
Metal mining	104	78	60	153	166
Coal mining	65	75	65	67	66
Oil and gas extraction	11	3	3	5	4
Nonmetallic minerals, except fuels	123	141	152	161	161
Construction	6,138	6,533	6,634	7,093	7,055
Manufacturing	18,562	19,344	20,080	20,927	19,974
Durable goods	13,583	14,044	14,076	14,464	13,206
Lumber and wood products	2,111	2,198	2,417	2,388	2,415
Furniture and fixtures	147	146	143	141	149
Stone, clay, and glass products	382	409	371	463	496
Primary metal industries	791	778	609	665	949
Fabricated metal products	573	544	535	668	945
Industrial machinery and equipment	872	959	1,055	960	1,012
Electronic and other electric equip.	615	503	608	684	819
Motor vehicles and equipment	291	343	505	550	672
Other transportation equipment	6,800	7,263	6,962	7,026	4,637
Instruments and related products	746	619	533	525	655
Miscellaneous manufacturing industries	254	282	339	393	457
Nondurable goods	4,979	5,300	6,004	6,463	6,767
Food and kindred products	1,692	1,979	2,129	2,383	2,538
Tobacco products	-	-	-	-	-
Textile mill products	56	56	59	60	55
Apparel and other textile products	140	184	242	242	219
Paper and allied products	1,330	1,126	1,268	1,348	1,624
Printing and publishing	878	948	1,114	1,074	1,065
Chemicals and allied products	452	413	465	446	514
Petroleum and coal products	185	299	435	580	374
Rubber and misc. plastics products	234	280	278	315	362
Leather and leather products	12	15	14	14	15
Transportation and public utilities	9,749	10,265	11,200	11,955	13,024
Transportation	4,165	4,388	4,610	4,990	5,138
Railroad transportation	355	392	418	445	350
Local and interurban passenger transit	116	134	147	150	159
Trucking and warehousing	1,365	1,466	1,519	1,635	1,728
Water transportation	694	720	732	757	835
Transportation by air	1,043	1,100	1,203	1,340	1,391
Pipelines, except natural gas	30	22	21	21	24
Transportation services	562	555	570	641	651
Communications	3,280	3,566	4,174	4,355	4,937
Electric, gas, and sanitary services	2,304	2,311	2,415	2,610	2,949

Table 4.2 (cont'd.)

	1991	1992	1993	1994	1995
Wholesale trade	9,118	9,675	10,166	11,280	11,543
Retail trade	11,932	12,756	13,452	14,404	14,693
Finance, insurance, and real estate	21,827	23,139	24,831	25,870	27,492
Depository institutions	3,872	3,583	3,687	3,488	3,843
Nondepository institutions	369	484	660	552	559
Security and commodity brokers	387	509	643	729	689
Insurance carriers	1,323	1,326	1,629	1,703	2,043
Insurance agents, brokers, and service	716	769	833	901	920
Real estate	15,065	16,291	17,115	18,308	19,260
Holding and other investment offices	95	176	264	188	177
Services	22,081	24,551	26,260	28,398	30,214
Hotels and other lodging places	831	867	913	964	1,061
Personal services	830	874	963	989	978
Business services	4,254	5,086	5,361	6,335	7,445
Auto repair, services, and parking	1,221	1,219	1,322	1,441	1,566
Miscellaneous repair services	412	425	447	502	454
Motion pictures	158	161	179	184	192
Amusement and recreation services	670	787	829	909	1,007
Health services	6,554	7,350	7,876	8,223	8,621
Legal services	1,329	1,461	1,479	1,539	1,661
Educational services	495	535	584	638	701
Social services	658	768	862	931	986
Membership organizations	800	873	943	1,049	1,052
Other services	3,738	3,999	4,344	4,530	4,315
Private households	130	146	156	163	176
Government	19,136	20,170	21,267	22,024	22,810
Federal civilian government	4,101	3,944	4,194	4,521	4,364
Federal military government	2,701	2,893	2,903	2,980	3,115
State and local government	12,335	13,333	14,170	14,523	15,331
Addenda:					
Electronic equipment and instruments	1,361	1,122	1,141	1,209	1,474
Depository and nondepository institutions	4,241	4,067	4,347	4,041	4,402
Business, misc. professional, and other services	7,992	9,084	9,706	10,865	11,760

Table 4.2 (cont'd.)

Washington Gross State Product by Industry
(Millions of Dollars)

	1996	1997	1998	1999	2000
Total gross state product	161,779	175,242	192,031	209,338	219,937
Agriculture, forestry, and fishing	4,610	4,228	4,326	4,341	4,722
Farms	2,954	2,535	2,481	2,200	2,448
Agricultural services, forestry, and fishing	1,657	1,693	1,845	2,141	2,273
Mining	392	333	419	450	481
Metal mining	155	53	136	156	151
Coal mining	68	63	65	63	72
Oil and gas extraction	10	5	4	5	3
Nonmetallic minerals, except fuels	159	212	215	228	255
Construction	7,707	8,370	9,213	10,506	11,296
Manufacturing	21,260	22,232	25,248	26,737	26,625
Durable goods	14,382	15,053	17,869	18,199	17,535
Lumber and wood products	2,130	2,186	2,141	2,612	2,428
Furniture and fixtures	176	187	219	226	238
Stone, clay, and glass products	497	585	755	636	656
Primary metal industries	823	788	881	794	823
Fabricated metal products	822	856	870	853	866
Industrial machinery and equipment	1,267	1,433	1,646	1,626	1,846
Electronic and other electric equip.	932	1,116	1,165	1,245	1,429
Motor vehicles and equipment	634	737	942	1,005	889
Other transportation equipment	5,963	6,029	7,960	7,751	6,899
Instruments and related products	621	584	730	638	694
Miscellaneous manufacturing industries	516	552	560	815	768
Nondurable goods	6,878	7,179	7,379	8,537	9,090
Food and kindred products	2,590	2,565	2,586	2,685	2,738
Tobacco products	-	-	-	-	-
Textile mill products	62	64	70	68	70
Apparel and other textile products	205	235	230	209	208
Paper and allied products	1,345	1,515	1,440	1,370	1,404
Printing and publishing	1,171	1,051	1,049	1,217	1,241
Chemicals and allied products	534	608	755	1,369	1,527
Petroleum and coal products	537	718	777	1,105	1,392
Rubber and misc. plastics products	421	411	462	506	501
Leather and leather products	13	13	12	9	10
Transportation and public utilities	14,166	14,550	15,412	16,604	18,722
Transportation	5,485	5,857	6,309	6,617	6,877
Railroad transportation	444	438	466	446	437
Local and interurban passenger transit	172	208	241	258	273
Trucking and warehousing	1,790	1,910	2,153	2,276	2,370
Water transportation	892	901	902	929	965
Transportation by air	1,545	1,698	1,831	1,962	1,974
Pipelines, except natural gas	28	29	30	34	49
Transportation services	614	673	686	713	809
Communications	5,385	4,830	5,197	5,952	7,471
Electric, gas, and sanitary services	3,296	3,863	3,906	4,034	4,374

Table 4.2 (cont'd.)

	1996	1997	1998	1999	2000
Wholesale trade	12,266	13,054	13,884	14,309	15,341
Retail trade	15,553	16,964	18,327	20,015	21,795
Finance, insurance, and real estate	29,035	31,769	34,483	36,912	38,877
Depository institutions	3,835	3,792	4,047	4,462	4,813
Nondepository institutions	648	806	940	885	884
Security and commodity brokers	895	1,045	1,247	1,248	1,304
Insurance carriers	2,151	2,686	2,731	2,746	2,932
Insurance agents, brokers, and service	915	989	1,074	1,206	1,216
Real estate	20,466	22,293	24,180	26,134	27,490
Holding and other investment offices	125	159	262	230	239
Services	33,357	38,303	44,155	51,955	53,089
Hotels and other lodging places	1,151	1,208	1,235	1,311	1,385
Personal services	986	1,066	1,136	1,159	1,201
Business services	9,676	13,313	17,194	23,015	22,008
Auto repair, services, and parking	1,654	1,818	1,997	2,151	2,268
Miscellaneous repair services	484	486	519	546	558
Motion pictures	211	212	211	225	241
Amusement and recreation services	1,157	1,279	1,334	1,430	1,635
Health services	9,071	9,434	10,026	10,729	11,302
Legal services	1,609	1,876	1,984	2,164	2,352
Educational services	760	789	910	997	1,138
Social services	1,042	1,120	1,225	1,310	1,442
Membership organizations	1,109	1,160	1,206	1,313	1,449
Other services	4,267	4,360	4,969	5,410	5,903
Private households	179	181	211	193	206
Government	23,435	25,439	26,563	27,509	28,990
Federal civilian government	3,959	4,969	5,025	5,299	5,580
Federal military government	3,414	3,539	3,429	3,509	3,691
State and local government	16,062	16,931	18,109	18,702	19,719
Addenda:					
Electronic equipment and instruments	1,552	1,700	1,895	1,883	2,123
Depository and nondepository institutions	4,482	4,598	4,988	5,347	5,696
Business, misc. professional, and other services	13,942	17,673	22,163	28,425	27,911

Table 4.3

Washington Gross State Product by Industry

(Millions of Chained 1996 Dollars)

	1991	1992	1993	1994	1995
Total gross state product	139,654	144,389	148,188	152,882	153,987
Agriculture, forestry, and fishing	4,290	4,541	4,553	4,495	4,510
Farms	2,295	2,779	2,850	2,779	2,712
Agricultural services, forestry, and fishing	1,992	1,760	1,706	1,715	1,787
Mining	284	288	295	384	368
Metal mining	103	83	73	156	140
Coal mining	44	53	52	57	62
Oil and gas extraction	12	4	3	7	6
Nonmetallic minerals, except fuels	126	144	161	164	161
Construction	7,089	7,573	7,440	7,656	7,281
Manufacturing	20,852	20,869	21,028	21,388	20,189
Durable goods	15,303	15,063	14,479	14,545	13,277
Lumber and wood products	2,871	2,691	2,498	2,332	2,374
Furniture and fixtures	165	163	159	150	158
Stone, clay, and glass products	430	461	408	487	502
Primary metal industries	850	859	686	706	889
Fabricated metal products	602	565	553	694	985
Industrial machinery and equipment	688	779	898	847	950
Electronic and other electric equip.	404	343	427	507	717
Motor vehicles and equipment	377	401	551	572	706
Other transportation equipment	8,002	8,037	7,489	7,393	4,808
Instruments and related products	976	764	630	603	730
Miscellaneous manufacturing industries	278	297	347	400	470
Nondurable goods	5,504	5,760	6,528	6,830	6,915
Food and kindred products	1,822	2,083	2,267	2,435	2,793
Tobacco products	-	-	-	-	-
Textile mill products	57	56	60	63	58
Apparel and other textile products	145	186	241	241	225
Paper and allied products	1,598	1,363	1,640	1,650	1,438
Printing and publishing	1,146	1,160	1,284	1,192	1,175
Chemicals and allied products	512	461	501	468	505
Petroleum and coal products	129	223	303	435	347
Rubber and misc. plastics products	229	276	275	315	369
Leather and leather products	13	15	15	15	15
Transportation and public utilities	10,079	10,513	11,214	11,844	12,847
Transportation	4,113	4,357	4,481	4,877	4,955
Railroad transportation	337	377	399	422	337
Local and interurban passenger transit	142	153	164	166	169
Trucking and warehousing	1,380	1,489	1,517	1,614	1,682
Water transportation	660	698	717	748	810
Transportation by air	998	1,075	1,107	1,279	1,294
Pipelines, except natural gas	34	24	23	21	22
Transportation services	570	547	561	628	647
Communications	3,414	3,683	4,256	4,358	4,938
Electric, gas, and sanitary services	2,557	2,464	2,474	2,600	2,954

Table 4.3 (cont'd.)

	1991	1992	1993	1994	1995
Wholesale trade	9,602	10,383	10,634	11,337	11,137
Retail trade	12,634	13,173	13,541	14,326	14,570
Finance, insurance, and real estate	25,756	26,295	27,360	27,733	28,424
Depository institutions	4,922	4,095	4,291	3,961	4,096
Nondepository institutions	400	522	699	561	547
Security and commodity brokers	383	475	600	711	678
Insurance carriers	2,174	1,988	2,146	2,085	2,209
Insurance agents, brokers, and service	1,165	1,103	1,014	1,025	973
Real estate	16,793	17,956	18,343	19,146	19,727
Holding and other investment offices	174	259	376	272	218
Services	26,584	27,994	28,915	30,355	31,205
Hotels and other lodging places	928	947	967	994	1,077
Personal services	964	983	1,045	1,037	1,006
Business services	4,884	5,645	5,841	6,840	7,741
Auto repair, services, and parking	1,431	1,371	1,429	1,510	1,584
Miscellaneous repair services	560	523	504	556	493
Motion pictures	179	181	201	199	203
Amusement and recreation services	785	898	918	971	1,045
Health services	8,216	8,609	8,731	8,705	8,843
Legal services	1,644	1,707	1,646	1,653	1,726
Educational services	596	615	653	688	736
Social services	782	861	947	996	1,025
Membership organizations	941	990	1,047	1,153	1,102
Other services	4,548	4,502	4,811	4,874	4,437
Private households	149	162	169	174	181
Government	22,635	22,898	23,318	23,405	23,499
Federal civilian government	5,006	4,672	4,740	4,927	4,491
Federal military government	3,164	3,155	3,166	3,223	3,305
State and local government	14,480	15,070	15,412	15,261	15,702
Addenda:					
Electronic equipment and instruments	1,226	995	1,004	1,082	1,430
Depository and nondepository institutions	5,294	4,613	4,996	4,519	4,638
Business, misc. professional, and other services	9,425	10,153	10,657	11,722	12,182

Table 4.3 (cont'd.)

Washington Gross State Product by Industry

(Millions of Chained 1996 Dollars)

	1996	1997	1998	1999	2000
Total gross state product	161,779	172,216	185,474	199,074	203,151
Agriculture, forestry, and fishing	4,610	4,607	4,819	5,063	5,548
Farms	2,954	2,975	3,088	3,140	3,735
Agricultural services, forestry, and fishing	1,657	1,634	1,728	1,887	1,897
Mining	392	339	460	521	556
Metal mining	155	60	195	254	229
Coal mining	68	66	72	80	97
Oil and gas extraction	10	5	5	5	2
Nonmetallic minerals, except fuels	159	203	206	215	250
Construction	7,707	8,034	8,441	9,134	9,240
Manufacturing	21,260	22,044	24,817	26,495	25,278
Durable goods	14,382	15,046	18,017	18,398	17,527
Lumber and wood products	2,130	2,099	2,049	2,425	2,411
Furniture and fixtures	176	182	207	208	218
Stone, clay, and glass products	497	576	714	573	593
Primary metal industries	823	789	903	906	893
Fabricated metal products	822	843	826	780	794
Industrial machinery and equipment	1,267	1,585	2,033	2,216	2,599
Electronic and other electric equip.	932	1,226	1,543	1,923	2,583
Motor vehicles and equipment	634	741	943	970	864
Other transportation equipment	5,963	5,950	7,727	7,356	6,074
Instruments and related products	621	542	622	523	520
Miscellaneous manufacturing industries	516	544	539	775	732
Nondurable goods	6,878	7,000	6,858	8,094	7,747
Food and kindred products	2,590	2,459	2,379	2,370	2,361
Tobacco products	-	-	-	-	-
Textile mill products	62	62	65	63	68
Apparel and other textile products	205	234	223	194	198
Paper and allied products	1,345	1,640	1,451	1,355	1,170
Printing and publishing	1,171	996	939	1,043	1,020
Chemicals and allied products	534	606	711	1,319	1,472
Petroleum and coal products	537	585	624	1,249	972
Rubber and misc. plastics products	421	420	452	497	498
Leather and leather products	13	13	11	9	10
Transportation and public utilities	14,166	14,157	14,419	15,717	17,654
Transportation	5,485	5,599	5,686	5,862	6,081
Railroad transportation	444	434	438	434	443
Local and interurban passenger transit	172	205	222	243	266
Trucking and warehousing	1,790	1,739	1,802	1,873	1,988
Water transportation	892	911	871	803	765
Transportation by air	1,545	1,625	1,640	1,759	1,804
Pipelines, except natural gas	28	31	31	35	51
Transportation services	614	657	681	710	766
Communications	5,385	4,764	5,039	5,904	7,545
Electric, gas, and sanitary services	3,296	3,790	3,694	3,985	4,143

Table 4.3 (cont'd.)

	1996	1997	1998	1999	2000
Wholesale trade	12,266	13,452	15,150	15,557	16,121
Retail trade	15,553	17,074	18,550	20,225	22,083
Finance, insurance, and real estate	29,035	30,792	32,691	34,419	35,399
Depository institutions	3,835	3,407	3,460	3,674	3,785
Nondepository institutions	648	866	1,021	998	1,000
Security and commodity brokers	895	1,111	1,414	1,889	2,630
Insurance carriers	2,151	2,491	2,455	2,345	2,292
Insurance agents, brokers, and service	915	942	986	1,085	1,086
Real estate	20,466	21,897	23,276	24,518	25,079
Holding and other investment offices	125	120	172	139	114
Services	33,357	36,992	41,027	46,591	45,715
Hotels and other lodging places	1,151	1,110	1,063	1,057	1,079
Personal services	986	1,028	1,071	1,063	1,065
Business services	9,676	12,928	16,060	20,718	18,897
Auto repair, services, and parking	1,654	1,744	1,850	1,969	2,022
Miscellaneous repair services	484	461	459	438	411
Motion pictures	211	207	205	205	207
Amusement and recreation services	1,157	1,240	1,237	1,302	1,407
Health services	9,071	9,181	9,410	9,778	10,032
Legal services	1,609	1,794	1,825	1,941	2,035
Educational services	760	757	823	863	936
Social services	1,042	1,076	1,112	1,137	1,185
Membership organizations	4,267	4,199	4,659	4,916	5,191
Other services	1,109	1,101	1,086	1,089	1,133
Private households	179	176	200	178	182
Government	23,435	24,719	25,176	25,269	25,774
Federal civilian government	3,959	4,843	4,811	4,905	5,032
Federal military government	3,414	3,467	3,317	3,286	3,332
State and local government	16,062	16,409	17,043	17,074	17,406
Addenda:					
Electronic equipment and instruments	1,552	1,754	2,135	2,306	2,803
Depository and nondepository institutions	4,482	4,251	4,436	4,643	4,762
Business, misc. professional, and other services	13,942	17,123	20,712	25,631	24,077

Table 4.4

Washington Gross State Product by Component, 2000

(Millions of Current Dollars)

	Total	Compensation	Indirect Business Taxes	Other
Total Gross State Product	219,937	128,848	22,524	68,565
Agriculture, forestry, and fishing	4,722	2,120	281	2,321
Farms	2,448	1,097	135	1,217
Agricultural services, forestry, and fishing	2,273	1,023	146	1,104
Mining	481	197	35	249
Metal mining	151	29	6	116
Coal mining	72	41	16	15
Oil and gas extraction	3	1	(L)	2
Nonmetallic minerals, except fuels	255	126	12	117
Construction	11,296	7,532	1,337	2,427
Manufacturing	26,625	19,654	1,343	5,629
Durable goods	17,535	14,499	866	2,170
Lumber and wood products	2,428	1,528	93	806
Furniture and fixtures	238	173	7	58
Stone, clay, and glass products	656	396	22	237
Primary metal industries	823	615	60	148
Fabricated metal products	866	615	34	218
Industrial machinery and equipment	1,846	1,600	69	177
Electronic and other electric equipment	1,429	1,021	47	362
Motor vehicles and equipment	889	304	20	565
Other transportation equipment	6,899	6,830	441	-372
Instruments and related products	694	995	50	-351
Miscellaneous manufacturing industries	768	422	24	322
Nondurable goods	9,090	5,155	476	3,459
Food and kindred products	2,738	1,542	190	1,006
Tobacco products	-	-	-	-
Textile mill products	70	46	4	20
Apparel and other textile products	208	187	5	15
Paper and allied products	1,404	941	86	377
Printing and publishing	1,241	1,024	47	170
Chemicals and allied products	1,527	847	79	601
Petroleum and coal products	1,392	177	45	1,170
Rubber and miscellaneous plastics produ	501	382	18	101
Leather and leather products	10	9	(L)	(L)
Transportation and public utilities	18,722	8,465	2,244	8,013
Transportation	6,877	4,397	692	1,788
Railroad transportation	437	(D)	18	(D)
Local and interurban passenger transit	273	183	17	73
Trucking and warehousing	2,370	1,323	154	894
Water transportation	965	612	120	233
Transportation by air	1,974	1,322	320	332
Pipelines, except natural gas	49	(D)	8	(D)
Transportation services	809	593	57	159
Communications	7,471	2,978	507	3,986
Electric, gas, and sanitary services	4,374	1,090	1,044	2,240

Table 4.4 (cont'd.)

	Total	Comp.	IBT	Other
Wholesale trade	15,341	8,137	4,274	2,930
Retail trade	21,795	12,458	4,377	4,959
Finance, insurance, and real estate	38,877	7,475	6,187	25,215
Depository institutions	4,813	1,761	256	2,795
Nondepository institutions	884	638	106	139
Security and commodity brokers	1,304	1,138	146	20
Insurance carriers	2,932	1,608	392	932
Insurance agents, brokers, and service	1,216	762	42	411
Real estate	27,490	1,258	5,210	21,023
Holding and other investment offices	239	310	35	-105
Services	53,089	38,601	2,447	12,040
Hotels and other lodging places	1,385	634	283	468
Personal services	1,201	567	83	551
Business services	22,008	16,880	702	4,425
Auto repair, services, and parking	2,268	904	373	991
Miscellaneous repair services	558	291	19	248
Motion pictures	241	172	14	55
Amusement and recreation services	1,635	1,170	81	384
Health services	11,302	8,326	487	2,489
Legal services	2,352	1,352	85	915
Educational services	1,138	1,000	24	115
Social services	1,442	1,376	26	40
Membership organizations	5,903	(D)	250	(D)
Other services	1,449	1,380	22	48
Private households	206	(D)	-	(D)
Government	28,990	24,208	-	4,782
Federal civilian government	5,580	4,617	-	963
Federal military government	3,691	3,082	-	608
State and local government	19,719	16,509	-	3,210
Addenda:				
Electronic equipment and instruments	2,123	2,015	97	11
Depository and nondepository institutions	5,696	2,400	362	2,935
Business, misc. professional, and other servi	27,911	(D)	952	(D)

(L) Less than \$500,000 in nominal or real GSP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

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Detail Components of the Washington Economic Forecast

Calendar Years

Table A1.1

U.S. Economic Forecast Summary

Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	8,508.9	8,858.9	9,191.4	9,214.5	9,440.8	9,763.6	10,084.5	10,382.0
% Ch	4.3	4.1	3.8	0.3	2.5	3.4	3.3	2.9
Real Consumption	5683.7	5964.5	6223.9	6377.2	6573.9	6763.4	6942.4	7158.5
% Ch	4.8	4.9	4.3	2.5	3.1	2.9	2.6	3.1
Real Nonresidential Fixed Investment	1,135.9	1,228.4	1,324.2	1,255.1	1,189.1	1,265.8	1,403.4	1,488.0
% Ch	12.5	8.1	7.8	-5.2	-5.3	6.5	10.9	6.0
Real Residential Fixed Investment	345.1	368.3	372.4	373.5	386.7	382.0	386.2	388.3
% Ch	8.0	6.7	1.1	0.3	3.5	-1.2	1.1	0.5
Real Personal Income	7,207.7	7,435.2	7,827.9	7,927.3	8,075.2	8,248.0	8,463.1	8,696.6
% Ch	5.9	3.2	5.3	1.3	1.9	2.1	2.6	2.8
Real Per Capita Income (\$/Person)	26,614	27,210	28,394	28,497	28,769	29,127	29,628	30,187
% Ch	5.0	2.2	4.4	0.4	1.0	1.2	1.7	1.9
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.074	1.096	1.111	1.142	1.171	1.200
% Ch	1.1	1.6	2.5	2.0	1.4	2.7	2.6	2.5
U.S. Consumer Price Index (1982-84=1.0)	1.630	1.666	1.722	1.771	1.802	1.858	1.910	1.962
% Ch	1.5	2.2	3.4	2.8	1.8	3.1	2.8	2.7
Employment Cost Index (June 1989=1.0)	1.356	1.403	1.460	1.514	1.569	1.624	1.681	1.740
% Ch	4.0	3.4	4.1	3.7	3.6	3.5	3.5	3.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	8,781.5	9,274.3	9,824.6	10,082.2	10,468.5	11,122.5	11,775.0	12,409.8
% Ch	5.6	5.6	5.9	2.6	3.8	6.2	5.9	5.4
Personal Income	7,426.0	7,786.5	8,406.6	8,685.3	8,975.9	9,419.5	9,911.9	10,437.0
% Ch	7.0	4.9	8.0	3.3	3.3	4.9	5.2	5.3
Employment (Millions)								
U.S. Civilian Labor Force	137.7	139.4	140.9	141.8	142.6	144.7	146.9	149.0
Total U.S. Employment	131.5	133.5	135.2	135.0	134.2	136.1	139.1	141.5
Unemployment Rate (%)	4.51	4.22	4.02	4.79	5.90	5.92	5.30	4.98
Wage and Salary Employment	125.85	128.90	131.72	131.93	130.84	132.78	135.57	137.59
% Ch	2.6	2.4	2.2	0.2	-0.8	1.5	2.1	1.5
Manufacturing	18.81	18.55	18.48	17.69	16.82	16.89	17.03	17.34
% Ch	0.7	-1.3	-0.4	-4.2	-5.0	0.4	0.9	1.8
Durable Manufacturing	11.21	11.11	11.14	10.64	9.97	9.92	9.97	10.22
% Ch	1.8	-0.8	0.3	-4.6	-6.3	-0.5	0.5	2.4
Nondurable Manufacturing	7.60	7.44	7.33	7.06	6.85	6.96	7.06	7.12
% Ch	-0.8	-2.1	-1.5	-3.7	-3.0	1.7	1.4	0.9
Nonmanufacturing	107.05	110.35	113.24	114.23	114.02	115.89	118.54	120.25
% Ch	2.9	3.1	2.6	0.9	-0.2	1.6	2.3	1.4
Services	37.53	39.05	40.46	40.98	41.19	42.34	43.83	45.05
% Ch	4.1	4.1	3.6	1.3	0.5	2.8	3.5	2.8
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	20.3	20.8	21.1	22.0	21.8	21.7	22.1	22.4
Auto Sales (Millions)	8.1	8.7	8.9	8.4	8.1	8.3	8.0	8.0
% Ch	-1.6	6.8	1.8	-4.9	-3.6	1.9	-3.4	-0.2
Housing Starts (Millions)	1.621	1.647	1.573	1.603	1.646	1.579	1.602	1.604
% Ch	9.9	1.6	-4.5	1.9	2.7	-4.1	1.4	0.1
Federal Budget Surplus (Billions)	43.8	112.0	206.8	72.0	-192.7	-154.9	-88.1	-107.4
Net Exports (Billions)	-151.7	-249.9	-365.5	-348.9	-408.0	-428.7	-458.5	-482.2
3-Month Treasury Bill Rate (%)	4.78	4.64	5.82	3.39	1.72	1.96	3.45	4.94
30-Year U.S. Govt. Bond Rate (%)	5.58	5.86	5.94	5.49	5.34	5.78	6.90	6.92
Bond Index of 20 G.O. Munis. (%)	5.09	5.43	5.70	5.15	4.95	5.02	6.08	6.15
Mortgage Rate (%)	6.95	7.43	8.06	6.97	6.62	6.76	7.99	8.31

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	9,097.4	9,205.7	9,218.7	9,243.8	9,229.9	9,193.1	9,186.4	9,248.8
% Ch	2.6	4.8	0.6	1.1	-0.6	-1.6	-0.3	2.7
Real Consumption	6,151.9	6,198.2	6,256.8	6,288.8	6,326.0	6,348.0	6,370.9	6,464.0
% Ch	5.3	3.0	3.8	2.1	2.4	1.4	1.5	6.0
Real Nonresidential Fixed Investment	1,297.1	1,329.1	1,340.7	1,329.9	1,311.4	1,261.0	1,241.7	1,206.4
% Ch	15.0	10.2	3.5	-3.2	-5.4	-14.5	-6.0	-10.9
Real Residential Fixed Investment	379.1	376.2	367.2	367.2	374.5	374.0	374.3	371.0
% Ch	8.3	-3.0	-9.3	0.0	8.2	-0.5	0.4	-3.5
Real Personal Income	7,709.7	7,795.9	7,883.9	7,922.2	7,932.3	7,913.3	7,942.1	7,921.4
% Ch	9.5	4.6	4.6	2.0	0.5	-1.0	1.5	-1.0
Real Per Capita Income (\$/Person)	28,059	28,311	28,565	28,639	28,611	28,479	28,518	28,380
% Ch	8.5	3.6	3.6	1.0	-0.4	-1.8	0.6	-1.9
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.065	1.071	1.077	1.083	1.091	1.096	1.096	1.098
% Ch	3.4	2.3	2.1	2.2	3.3	1.8	-0.1	0.8
U.S. Consumer Price Index (1982-84=1.0)	1.701	1.715	1.730	1.742	1.759	1.773	1.776	1.775
% Ch	3.9	3.3	3.5	3.0	3.9	3.1	0.8	-0.3
Employment Cost Index (June 1989=1.0)	1.439	1.454	1.467	1.479	1.494	1.509	1.520	1.534
% Ch	4.6	4.2	3.6	3.3	4.1	4.1	2.9	3.7
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,649.5	9,820.7	9,874.8	9,953.6	10,028.1	10,049.9	10,097.7	10,152.9
% Ch	5.7	7.3	2.2	3.2	3.0	0.9	1.9	2.2
Personal Income	8,211.6	8,350.2	8,487.8	8,576.6	8,658.1	8,676.2	8,706.2	8,700.9
% Ch	13.2	6.9	6.8	4.2	3.9	0.8	1.4	-0.2
Employment (Millions)								
U.S. Civilian Labor Force	140.7	140.9	140.7	141.3	141.7	141.5	141.7	142.3
Total U.S. Employment	135.0	135.2	135.0	135.6	135.8	135.2	134.8	134.3
Unemployment Rate (%)	4.03	4.00	4.07	3.97	4.23	4.50	4.83	5.60
Wage and Salary Employment	130.99	131.82	131.88	132.18	132.43	132.19	131.94	131.13
% Ch	2.7	2.5	0.2	0.9	0.8	-0.7	-0.8	-2.4
Manufacturing	18.50	18.51	18.49	18.40	18.20	17.87	17.54	17.17
% Ch	0.0	0.2	-0.3	-2.0	-4.4	-6.9	-7.3	-8.0
Durable Manufacturing	11.12	11.15	11.17	11.13	11.00	10.77	10.52	10.25
% Ch	0.8	0.9	1.0	-1.5	-4.7	-7.9	-9.0	-10.0
Nondurable Manufacturing	7.38	7.36	7.32	7.27	7.20	7.10	7.02	6.93
% Ch	-1.2	-0.9	-2.3	-2.8	-3.8	-5.4	-4.6	-5.0
Nonmanufacturing	112.49	113.31	113.38	113.79	114.24	114.32	114.41	113.96
% Ch	3.2	2.9	0.3	1.4	1.6	0.3	0.3	-1.6
Services	40.03	40.34	40.62	40.84	41.00	40.99	41.04	40.88
% Ch	3.7	3.1	2.8	2.2	1.5	-0.0	0.4	-1.5
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	20.8	21.0	21.2	21.5	21.8	22.0	21.7	22.6
Auto Sales (Millions)	9.4	8.8	8.9	8.4	8.7	8.3	8.0	8.7
% Ch	21.1	-20.9	1.5	-21.2	15.6	-14.6	-16.1	45.0
Housing Starts (Millions)	1.659	1.587	1.504	1.544	1.611	1.624	1.603	1.573
% Ch	1.1	-16.3	-19.3	11.2	18.6	3.3	-5.2	-7.3
Federal Budget Surplus (Billions)	223.2	197.2	213.2	193.8	173.8	144.4	-51.7	21.3
Net Exports (Billions)	-330.6	-353.2	-384.9	-393.2	-372.7	-365.7	-312.6	-344.5
3-Month Treasury Bill Rate (%)	5.52	5.71	6.02	6.02	4.82	3.66	3.17	1.91
30-Year U.S. Govt. Bond Rate (%)	6.30	5.97	5.79	5.69	5.45	5.69	5.53	5.30
Bond Index of 20 G.O. Munis. (%)	5.96	5.85	5.56	5.45	5.14	5.26	5.10	5.11
Mortgage Rate (%)	8.26	8.32	8.03	7.64	7.01	7.13	6.97	6.78

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	9,363.2	9,387.9	9,466.4	9,545.7	9,646.1	9,721.4	9,798.7	9,888.1
% Ch	5.0	1.1	3.4	3.4	4.3	3.2	3.2	3.7
Real Consumption	6,513.8	6,544.2	6,608.5	6,629.3	6,688.2	6,748.3	6,785.8	6,831.3
% Ch	3.1	1.9	4.0	1.3	3.6	3.6	2.2	2.7
Real Nonresidential Fixed Investment	1,188.4	1,183.6	1,187.5	1,196.9	1,219.9	1,241.7	1,280.1	1,321.5
% Ch	-5.8	-1.6	1.3	3.2	7.9	7.4	12.9	13.6
Real Residential Fixed Investment	383.6	388.2	388.9	386.0	381.9	381.8	381.5	382.7
% Ch	14.2	5.0	0.6	-2.9	-4.1	-0.1	-0.3	1.2
Real Personal Income	7,999.3	8,049.7	8,108.9	8,142.9	8,188.6	8,229.4	8,267.9	8,305.9
% Ch	4.0	2.5	3.0	1.7	2.3	2.0	1.9	1.9
Real Per Capita Income (\$/Person)	28,595	28,711	28,858	28,914	29,012	29,093	29,166	29,236
% Ch	3.1	1.6	2.1	0.8	1.4	1.1	1.0	1.0
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.101	1.108	1.114	1.122	1.131	1.138	1.146	1.154
% Ch	1.1	2.6	2.2	2.6	3.2	2.6	2.8	2.8
U.S. Consumer Price Index (1982-84=1.0)	1.781	1.796	1.808	1.822	1.837	1.851	1.865	1.879
% Ch	1.4	3.4	2.9	3.0	3.5	2.9	3.1	3.0
Employment Cost Index (June 1989=1.0)	1.548	1.563	1.577	1.590	1.604	1.617	1.632	1.646
% Ch	3.7	3.9	3.6	3.3	3.5	3.3	3.7	3.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,313.1	10,369.9	10,516.1	10,675.1	10,879.9	11,036.4	11,199.0	11,374.8
% Ch	6.5	2.2	5.8	6.2	7.9	5.9	6.0	6.4
Personal Income	8,810.4	8,921.5	9,037.1	9,134.4	9,258.1	9,364.7	9,473.3	9,582.0
% Ch	5.1	5.1	5.3	4.4	5.5	4.7	4.7	4.7
Employment (Millions)								
U.S. Civilian Labor Force	141.9	142.6	142.5	143.4	143.9	144.4	145.0	145.6
Total U.S. Employment	133.9	134.1	134.0	134.7	135.1	135.7	136.4	137.3
Unemployment Rate (%)	5.60	5.90	5.99	6.10	6.10	6.00	5.90	5.67
Wage and Salary Employment	130.76	130.72	130.82	131.06	131.73	132.37	133.10	133.91
% Ch	-1.1	-0.1	0.3	0.7	2.1	1.9	2.2	2.5
Manufacturing	16.88	16.78	16.75	16.85	16.87	16.86	16.89	16.92
% Ch	-6.6	-2.5	-0.5	2.2	0.4	-0.1	0.7	0.8
Durable Manufacturing	10.02	9.96	9.93	9.96	9.94	9.91	9.91	9.92
% Ch	-8.5	-2.5	-1.3	1.5	-0.9	-1.2	0.0	0.5
Nondurable Manufacturing	6.86	6.82	6.83	6.88	6.92	6.95	6.98	7.00
% Ch	-3.7	-2.5	0.6	3.3	2.5	1.6	1.6	1.1
Nonmanufacturing	113.88	113.94	114.07	114.21	114.87	115.50	116.20	116.98
% Ch	-0.3	0.2	0.4	0.5	2.3	2.2	2.4	2.7
Services	40.92	41.09	41.25	41.49	41.82	42.14	42.51	42.89
% Ch	0.4	1.6	1.5	2.3	3.2	3.2	3.5	3.6
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.0	21.9	21.8	21.6	21.6	21.6	21.7	21.8
Auto Sales (Millions)	7.9	8.1	8.4	8.1	8.1	8.3	8.3	8.4
% Ch	-33.0	8.7	18.8	-15.8	2.2	10.3	-2.9	6.7
Housing Starts (Millions)	1.725	1.658	1.630	1.572	1.555	1.582	1.586	1.594
% Ch	44.9	-14.8	-6.5	-13.6	-4.1	7.0	1.2	1.9
Federal Budget Surplus (Billions)	-143.5	-193.2	-206.5	-227.6	-206.8	-184.5	-126.1	-102.3
Net Exports (Billions)	-360.1	-432.7	-423.3	-415.8	-416.5	-425.4	-434.1	-438.6
3-Month Treasury Bill Rate (%)	1.72	1.72	1.74	1.70	1.67	1.68	2.00	2.48
30-Year U.S. Govt. Bond Rate (%)	5.52	5.61	5.05	5.20	5.34	5.49	6.18	6.11
Bond Index of 20 G.O. Munis. (%)	5.18	5.16	4.82	4.63	4.67	4.71	5.44	5.27
Mortgage Rate (%)	6.97	6.82	6.42	6.27	6.38	6.48	6.98	7.19

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	9,978.8	10,057.0	10,119.6	10,182.5	10,268.0	10,344.4	10,420.1	10,495.4
% Ch	3.7	3.2	2.5	2.5	3.4	3.0	3.0	2.9
Real Consumption	6,875.3	6,921.8	6,965.7	7,006.8	7,071.2	7,132.8	7,188.6	7,241.6
% Ch	2.6	2.7	2.6	2.4	3.7	3.5	3.2	3.0
Real Nonresidential Fixed Investment	1,354.3	1,398.9	1,419.7	1,440.6	1,458.4	1,478.5	1,499.4	1,515.9
% Ch	10.3	13.8	6.1	6.0	5.0	5.6	5.8	4.5
Real Residential Fixed Investment	384.7	386.4	386.3	387.4	387.9	388.1	387.8	389.5
% Ch	2.1	1.8	-0.1	1.1	0.5	0.2	-0.3	1.8
Real Personal Income	8,382.5	8,440.9	8,493.5	8,535.3	8,607.4	8,671.4	8,727.6	8,779.9
% Ch	3.7	2.8	2.5	2.0	3.4	3.0	2.6	2.4
Real Per Capita Income (\$/Person)	29,442	29,583	29,703	29,785	29,973	30,132	30,263	30,380
% Ch	2.8	1.9	1.6	1.1	2.5	2.1	1.8	1.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.161	1.167	1.175	1.182	1.189	1.196	1.204	1.211
% Ch	2.4	2.4	2.5	2.5	2.5	2.4	2.6	2.4
U.S. Consumer Price Index (1982-84=1.0)	1.891	1.903	1.916	1.930	1.943	1.955	1.969	1.981
% Ch	2.6	2.7	2.8	2.8	2.7	2.6	2.8	2.6
Employment Cost Index (June 1989=1.0)	1.660	1.674	1.689	1.703	1.718	1.732	1.747	1.762
% Ch	3.5	3.4	3.5	3.6	3.5	3.4	3.4	3.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,551.6	11,708.5	11,849.1	11,991.0	12,169.7	12,328.5	12,491.8	12,649.1
% Ch	6.4	5.5	4.9	4.9	6.1	5.3	5.4	5.1
Personal Income	9,728.4	9,854.5	9,976.4	10,088.4	10,236.2	10,373.1	10,506.7	10,631.9
% Ch	6.3	5.3	5.0	4.6	6.0	5.5	5.3	4.9
Employment (Millions)								
U.S. Civilian Labor Force	146.1	146.6	147.2	147.7	148.2	148.7	149.2	149.7
Total U.S. Employment	138.0	138.7	139.5	140.2	140.8	141.3	141.8	142.3
Unemployment Rate (%)	5.53	5.40	5.20	5.06	5.02	5.00	4.95	4.95
Wage and Salary Employment	134.61	135.26	135.91	136.51	137.01	137.39	137.80	138.17
% Ch	2.1	1.9	1.9	1.8	1.4	1.1	1.2	1.1
Manufacturing	16.95	16.97	17.06	17.14	17.22	17.31	17.38	17.44
% Ch	0.7	0.5	2.1	2.1	1.8	1.9	1.8	1.4
Durable Manufacturing	9.93	9.93	9.98	10.05	10.12	10.19	10.25	10.31
% Ch	0.3	-0.1	2.1	2.8	2.7	2.7	2.7	2.2
Nondurable Manufacturing	7.02	7.04	7.08	7.09	7.11	7.12	7.13	7.13
% Ch	1.2	1.3	2.0	1.0	0.6	0.8	0.6	0.2
Nonmanufacturing	117.66	118.29	118.85	119.37	119.78	120.09	120.41	120.72
% Ch	2.3	2.2	1.9	1.8	1.4	1.0	1.1	1.0
Services	43.26	43.64	44.02	44.38	44.68	44.92	45.18	45.41
% Ch	3.5	3.6	3.5	3.2	2.7	2.2	2.3	2.1
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	21.9	22.1	22.1	22.2	22.3	22.3	22.4	22.5
Auto Sales (Millions)	8.2	8.1	8.0	7.6	7.8	8.0	8.1	8.0
% Ch	-8.0	-7.2	-1.4	-18.6	8.1	9.2	8.0	-3.8
Housing Starts (Millions)	1.603	1.599	1.598	1.609	1.606	1.596	1.600	1.614
% Ch	2.2	-1.0	-0.1	2.6	-0.7	-2.5	1.0	3.6
Federal Budget Surplus (Billions)	-95.2	-91.9	-76.0	-89.2	-102.1	-112.8	-103.4	-111.1
Net Exports (Billions)	-438.1	-459.5	-465.2	-471.3	-469.2	-481.1	-488.1	-490.4
3-Month Treasury Bill Rate (%)	2.79	3.30	3.74	3.98	4.59	4.94	5.10	5.12
30-Year U.S. Govt. Bond Rate (%)	6.86	6.84	7.03	6.87	7.05	6.95	6.88	6.80
Bond Index of 20 G.O. Munis. (%)	6.04	6.02	6.20	6.07	6.24	6.16	6.11	6.08
Mortgage Rate (%)	7.69	7.96	8.14	8.17	8.35	8.38	8.30	8.21

Table A1.3
Washington Economic Forecast Summary
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	158.389	166.549	173.669	174.173	175.782	177.786	182.175	188.046
% Ch	7.5	5.2	4.3	0.3	0.9	1.1	2.5	3.2
Real Wage and Salary Disb.	91.544	99.123	102.438	101.299	99.468	100.052	103.168	106.642
% Ch	9.3	8.3	3.3	-1.1	-1.8	0.6	3.1	3.4
Real Nonwage Income	66.844	67.426	71.231	72.874	76.314	77.735	79.006	81.404
% Ch	5.1	0.9	5.6	2.3	4.7	1.9	1.6	3.0
Real Per Capita Income (\$/Person)	27,400	28,446	29,314	29,027	28,979	29,020	29,404	29,940
% Ch	5.9	3.8	3.1	-1.0	-0.2	0.1	1.3	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.074	1.096	1.111	1.142	1.171	1.200
% Ch	1.1	1.6	2.5	2.0	1.4	2.7	2.6	2.5
Seattle Cons. Price Index (1982-84=1.0)	1.678	1.728	1.792	1.857	1.896	1.945	1.992	2.042
% Ch	2.9	3.0	3.7	3.6	2.1	2.6	2.4	2.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.75	16.14	16.75	17.60	18.14	18.36	18.61	18.90
% Ch	4.0	2.5	3.7	5.1	3.1	1.2	1.4	1.6
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	162.673	174.369	186.222	190.703	195.159	202.562	212.782	225.065
% Ch	8.6	7.2	6.8	2.4	2.3	3.8	5.0	5.8
Personal Income	163.192	174.432	186.495	190.828	195.382	203.038	213.364	225.682
% Ch	8.6	6.9	6.9	2.3	2.4	3.9	5.1	5.8
Disposable Personal Income	139.668	148.462	157.957	162.442	170.629	176.770	184.725	195.558
% Ch	8.1	6.3	6.4	2.8	5.0	3.6	4.5	5.9
Per Capita Income (\$/Person)	28,231	29,792	31,478	31,803	32,210	33,141	34,438	35,932
% Ch	7.1	5.5	5.7	1.0	1.3	2.9	3.9	4.3
Employment (Thousands)								
Washington Civilian Labor Force	3,037.9	3,074.6	3,045.3	2,995.7	3,033.5	3,064.2	3,116.8	3,172.0
Total Washington Employment	2,893.3	2,929.2	2,887.5	2,804.1	2,817.3	2,848.6	2,911.6	2,971.9
Unemployment Rate (%)	4.76	4.73	5.18	6.40	7.13	7.04	6.58	6.31
Wage and Salary Employment	2,594.7	2,648.7	2,711.5	2,696.4	2,638.6	2,667.0	2,726.2	2,782.9
% Ch	3.2	2.1	2.4	-0.6	-2.1	1.1	2.2	2.1
Manufacturing	379.6	364.1	353.1	338.3	310.3	305.7	309.8	320.2
% Ch	2.6	-4.1	-3.0	-4.2	-8.3	-1.5	1.4	3.3
Durable Manufacturing	271.0	255.8	244.5	234.6	211.9	205.4	207.7	215.7
% Ch	3.7	-5.6	-4.4	-4.0	-9.7	-3.1	1.2	3.8
Aerospace	112.4	98.9	86.1	86.8	75.7	67.9	67.4	71.3
% Ch	7.1	-12.0	-12.9	0.8	-12.8	-10.3	-0.9	5.8
Nondurable Manufacturing	108.6	108.3	108.7	103.7	98.4	100.3	102.1	104.5
% Ch	-0.2	-0.2	0.3	-4.6	-5.1	2.0	1.8	2.3
Nonmanufacturing	2,215.1	2,284.6	2,358.3	2,358.0	2,328.3	2,361.3	2,416.4	2,462.7
% Ch	3.3	3.1	3.2	-0.0	-1.3	1.4	2.3	1.9
Construction	143.7	153.8	160.2	155.4	150.0	150.5	152.0	153.1
% Ch	5.4	7.1	4.1	-3.0	-3.5	0.3	1.0	0.7
Services	709.3	739.7	781.9	773.0	767.0	791.5	822.5	849.8
% Ch	4.5	4.3	5.7	-1.1	-0.8	3.2	3.9	3.3
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	45.727	42.752	39.021	38.345	39.446	37.916	37.697	39.441
% Ch	11.3	-6.5	-8.7	-1.7	2.9	-3.9	-0.6	4.6
Single-Family	28.644	28.111	25.471	26.736	29.624	26.233	24.791	25.158
% Ch	3.1	-1.9	-9.4	5.0	10.8	-11.4	-5.5	1.5
Multi-Family	17.083	14.641	13.550	11.609	9.822	11.683	12.906	14.283
% Ch	28.3	-14.3	-7.5	-14.3	-15.4	18.9	10.5	10.7
Mortgage Rate (%)	6.95	7.43	8.06	6.97	6.62	6.76	7.99	8.31

Table A1.4
Washington Economic Forecast Summary
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	173.178	173.247	172.751	175.500	171.768	176.164	174.944	173.817
% Ch	3.2	0.2	-1.1	6.5	-8.2	10.6	-2.7	-2.6
Real Wage and Salary Disb.	103.773	102.188	100.787	103.004	99.226	103.716	101.758	100.497
% Ch	0.6	-6.0	-5.4	9.1	-13.9	19.4	-7.3	-4.9
Real Nonwage Income	69.405	71.059	71.964	72.497	72.542	72.449	73.185	73.320
% Ch	7.2	9.9	5.2	3.0	0.3	-0.5	4.1	0.7
Real Per Capita Income (\$/Person)	29,381	29,293	29,110	29,473	28,748	29,401	29,115	28,846
% Ch	2.1	-1.2	-2.5	5.1	-9.5	9.4	-3.8	-3.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.065	1.071	1.077	1.083	1.091	1.096	1.096	1.098
% Ch	3.4	2.3	2.1	2.2	3.3	1.8	-0.1	0.8
Seattle Cons. Price Index (1982-84=1.0)	1.762	1.783	1.802	1.820	1.838	1.851	1.867	1.872
% Ch	3.4	4.8	4.3	4.1	3.9	2.9	3.5	1.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.54	16.61	16.77	17.07	17.22	17.57	17.73	17.88
% Ch	6.2	1.8	3.8	7.5	3.4	8.3	3.8	3.5
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	184.136	185.340	185.656	189.756	187.392	193.050	191.653	190.719
% Ch	6.2	2.6	0.7	9.1	-4.9	12.6	-2.9	-1.9
Personal Income	184.446	185.560	185.984	189.989	187.480	193.143	191.771	190.918
% Ch	6.7	2.4	0.9	8.9	-5.2	12.6	-2.8	-1.8
Disposable Personal Income	156.229	157.272	157.506	160.821	158.452	163.399	165.736	162.179
% Ch	5.7	2.7	0.6	8.7	-5.8	13.1	5.8	-8.3
Per Capita Income (\$/Person)	31,293	31,375	31,339	31,906	31,378	32,234	31,915	31,684
% Ch	5.6	1.0	-0.5	7.4	-6.5	11.4	-3.9	-2.9
Employment (Thousands)								
Washington Civilian Labor Force	3,064.4	3,049.4	3,037.8	3,029.7	3,016.6	3,003.7	2,984.5	2,978.1
Total Washington Employment	2,912.8	2,896.3	2,876.6	2,864.4	2,843.4	2,818.8	2,791.0	2,763.2
Unemployment Rate (%)	4.95	5.02	5.31	5.45	5.74	6.16	6.49	7.21
Wage and Salary Employment	2,696.8	2,710.2	2,715.9	2,722.9	2,720.2	2,709.3	2,693.1	2,662.8
% Ch	3.7	2.0	0.8	1.0	-0.4	-1.6	-2.4	-4.4
Manufacturing	351.9	355.2	353.6	351.8	347.9	342.1	336.7	326.6
% Ch	-7.2	3.8	-1.7	-2.1	-4.3	-6.5	-6.2	-11.5
Durable Manufacturing	242.9	246.1	244.6	244.2	242.1	237.3	233.2	225.9
% Ch	-10.3	5.4	-2.3	-0.6	-3.5	-7.6	-6.8	-11.8
Aerospace	84.4	87.6	86.6	86.0	86.8	87.0	87.5	85.8
% Ch	-29.6	16.0	-4.4	-2.8	4.1	0.9	2.3	-7.6
Nondurable Manufacturing	109.0	109.1	109.0	107.5	105.8	104.8	103.5	100.6
% Ch	0.3	0.4	-0.4	-5.2	-6.2	-3.9	-4.8	-10.8
Nonmanufacturing	2,344.9	2,355.0	2,362.3	2,371.1	2,372.3	2,367.2	2,356.5	2,336.2
% Ch	5.5	1.7	1.2	1.5	0.2	-0.9	-1.8	-3.4
Construction	160.7	160.4	159.0	160.5	159.8	156.5	154.5	150.8
% Ch	8.9	-0.7	-3.4	3.6	-1.5	-8.2	-5.0	-9.2
Services	771.5	775.3	786.2	794.5	780.2	778.7	769.6	763.7
% Ch	9.9	2.0	5.7	4.3	-7.0	-0.8	-4.6	-3.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	38.475	36.594	38.387	42.627	41.104	39.417	38.453	34.406
% Ch	-22.0	-18.2	21.1	52.1	-13.5	-15.4	-9.4	-35.9
Single-Family	25.380	25.049	25.493	25.962	28.794	26.795	26.561	24.794
% Ch	-24.0	-5.1	7.3	7.6	51.3	-25.0	-3.5	-24.1
Multi-Family	13.095	11.545	12.894	16.666	12.310	12.622	11.892	9.611
% Ch	-18.0	-39.6	55.6	179.1	-70.2	10.5	-21.2	-57.3
Mortgage Rate (%)	8.26	8.32	8.03	7.64	7.01	7.13	6.97	6.78

Table A1.4
Washington Economic Forecast Summary
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	175.874	175.191	175.726	176.338	176.939	177.487	178.012	178.708
% Ch	4.8	-1.5	1.2	1.4	1.4	1.2	1.2	1.6
Real Wage and Salary Disb.	100.966	99.208	98.647	99.053	99.342	99.750	100.202	100.914
% Ch	1.9	-6.8	-2.2	1.7	1.2	1.7	1.8	2.9
Real Nonwage Income	74.908	75.984	77.079	77.285	77.597	77.737	77.809	77.794
% Ch	8.9	5.9	5.9	1.1	1.6	0.7	0.4	-0.1
Real Per Capita Income (\$/Person)	29,106	28,917	28,932	28,962	28,990	29,008	29,021	29,059
% Ch	3.6	-2.6	0.2	0.4	0.4	0.2	0.2	0.5
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.101	1.108	1.114	1.122	1.131	1.138	1.146	1.154
% Ch	1.1	2.6	2.2	2.6	3.2	2.6	2.8	2.8
Seattle Cons. Price Index (1982-84=1.0)	1.877	1.889	1.903	1.914	1.928	1.939	1.951	1.964
% Ch	1.0	2.6	3.0	2.3	2.8	2.4	2.6	2.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.02	18.15	18.17	18.22	18.27	18.33	18.39	18.45
% Ch	3.2	2.8	0.5	1.0	1.2	1.2	1.4	1.4
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	193.542	194.049	195.574	197.471	199.639	201.509	203.443	205.658
% Ch	6.1	1.1	3.2	3.9	4.5	3.8	3.9	4.4
Personal Income	193.705	194.172	195.840	197.810	200.051	201.973	203.964	206.164
% Ch	6.0	1.0	3.5	4.1	4.6	3.9	4.0	4.4
Disposable Personal Income	168.594	169.541	171.238	173.143	174.979	176.293	177.247	178.562
% Ch	16.8	2.3	4.1	4.5	4.3	3.0	2.2	3.0
Per Capita Income (\$/Person)	32,056	32,050	32,244	32,489	32,777	33,010	33,252	33,523
% Ch	4.8	-0.1	2.4	3.1	3.6	2.9	3.0	3.3
Employment (Thousands)								
Washington Civilian Labor Force	3,030.0	3,034.4	3,031.5	3,038.3	3,048.4	3,058.0	3,068.7	3,081.9
Total Washington Employment	2,813.2	2,821.2	2,815.0	2,819.8	2,831.1	2,841.2	2,853.0	2,869.2
Unemployment Rate (%)	7.16	7.03	7.14	7.19	7.13	7.09	7.03	6.90
Wage and Salary Employment	2,645.1	2,634.1	2,635.4	2,639.9	2,650.5	2,660.0	2,671.1	2,686.4
% Ch	-2.6	-1.7	0.2	0.7	1.6	1.4	1.7	2.3
Manufacturing	316.0	310.9	307.6	306.8	306.6	305.5	305.2	305.4
% Ch	-12.4	-6.3	-4.2	-1.1	-0.2	-1.4	-0.4	0.2
Durable Manufacturing	216.8	213.2	209.8	207.8	207.0	205.4	204.6	204.5
% Ch	-15.2	-6.5	-6.3	-3.6	-1.7	-3.1	-1.5	-0.3
Aerospace	80.2	77.3	74.0	71.4	70.3	68.4	67.0	66.1
% Ch	-23.7	-13.9	-15.9	-13.1	-6.1	-10.5	-7.9	-5.3
Nondurable Manufacturing	99.2	97.7	97.8	98.9	99.7	100.2	100.6	100.9
% Ch	-5.7	-5.8	0.7	4.5	3.0	2.0	1.7	1.2
Nonmanufacturing	2,329.2	2,323.2	2,327.8	2,333.2	2,343.9	2,354.4	2,365.9	2,381.0
% Ch	-1.2	-1.0	0.8	0.9	1.8	1.8	2.0	2.6
Construction	149.8	148.9	150.6	150.8	150.9	150.1	150.2	150.8
% Ch	-2.7	-2.1	4.4	0.8	0.1	-2.0	0.2	1.6
Services	762.1	764.4	767.9	773.7	780.5	787.4	795.0	803.1
% Ch	-0.8	1.2	1.9	3.0	3.6	3.6	3.9	4.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	36.214	43.812	40.729	37.029	37.491	38.406	37.664	38.104
% Ch	22.7	114.2	-25.3	-31.7	5.1	10.1	-7.5	4.7
Single-Family	28.533	32.230	31.421	26.312	26.413	26.778	25.869	25.871
% Ch	75.4	62.8	-9.7	-50.8	1.6	5.6	-12.9	0.0
Multi-Family	7.681	11.583	9.308	10.718	11.078	11.628	11.795	12.233
% Ch	-59.2	417.0	-58.3	75.8	14.1	21.4	5.9	15.7
Mortgage Rate (%)	6.97	6.82	6.42	6.27	6.38	6.48	6.98	7.19

Table A1.4
Washington Economic Forecast Summary
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	180.286	181.591	182.858	183.964	185.642	187.311	188.860	190.371
% Ch	3.6	2.9	2.8	2.4	3.7	3.6	3.3	3.2
Real Wage and Salary Disb.	101.849	102.718	103.615	104.492	105.358	106.223	107.051	107.938
% Ch	3.8	3.5	3.5	3.4	3.4	3.3	3.2	3.4
Real Nonwage Income	78.437	78.873	79.243	79.472	80.284	81.088	81.810	82.434
% Ch	3.3	2.2	1.9	1.2	4.1	4.1	3.6	3.1
Real Per Capita Income (\$/Person)	29,234	29,359	29,472	29,553	29,720	29,881	30,017	30,143
% Ch	2.4	1.7	1.5	1.1	2.3	2.2	1.8	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.161	1.167	1.175	1.182	1.189	1.196	1.204	1.211
% Ch	2.4	2.4	2.5	2.5	2.5	2.4	2.6	2.4
Seattle Cons. Price Index (1982-84=1.0)	1.975	1.985	1.997	2.010	2.022	2.035	2.049	2.062
% Ch	2.2	2.2	2.4	2.5	2.5	2.5	2.7	2.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.52	18.58	18.64	18.72	18.79	18.86	18.94	19.02
% Ch	1.4	1.3	1.4	1.5	1.6	1.6	1.6	1.7
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	208.711	211.426	214.155	216.834	220.165	223.436	226.725	229.936
% Ch	6.1	5.3	5.3	5.1	6.3	6.1	6.0	5.8
Personal Income	209.232	212.002	214.783	217.439	220.772	224.068	227.360	230.529
% Ch	6.1	5.4	5.4	5.0	6.3	6.1	6.0	5.7
Disposable Personal Income	181.137	183.554	185.997	188.214	191.331	194.201	197.038	199.663
% Ch	5.9	5.4	5.4	4.9	6.8	6.1	6.0	5.4
Per Capita Income (\$/Person)	33,928	34,276	34,617	34,931	35,344	35,744	36,137	36,502
% Ch	4.9	4.2	4.0	3.7	4.8	4.6	4.5	4.1
Employment (Thousands)								
Washington Civilian Labor Force	3,095.8	3,109.5	3,123.8	3,138.1	3,151.6	3,164.9	3,178.8	3,192.8
Total Washington Employment	2,886.2	2,903.1	2,920.3	2,936.9	2,951.2	2,964.7	2,979.0	2,992.7
Unemployment Rate (%)	6.77	6.64	6.51	6.41	6.36	6.32	6.29	6.27
Wage and Salary Employment	2,702.3	2,718.2	2,734.4	2,750.0	2,763.4	2,776.1	2,789.5	2,802.5
% Ch	2.4	2.4	2.4	2.3	2.0	1.9	1.9	1.9
Manufacturing	306.7	308.3	310.8	313.4	316.1	318.9	321.6	324.1
% Ch	1.8	2.1	3.3	3.4	3.5	3.6	3.5	3.1
Durable Manufacturing	205.4	206.5	208.4	210.5	212.6	214.7	216.8	218.7
% Ch	1.9	2.2	3.7	4.1	4.0	4.0	3.9	3.6
Aerospace	66.3	66.8	67.6	68.7	69.7	70.8	71.8	72.9
% Ch	1.3	3.0	5.1	6.2	6.2	6.2	6.2	6.2
Nondurable Manufacturing	101.3	101.8	102.4	102.9	103.5	104.2	104.8	105.3
% Ch	1.7	1.9	2.5	1.9	2.3	2.7	2.5	1.9
Nonmanufacturing	2,395.6	2,409.9	2,423.5	2,436.6	2,447.3	2,457.2	2,467.9	2,478.4
% Ch	2.5	2.4	2.3	2.2	1.8	1.6	1.7	1.7
Construction	151.5	152.0	152.3	152.4	152.6	152.9	153.2	153.5
% Ch	1.9	1.2	0.9	0.3	0.6	0.8	0.8	0.7
Services	810.9	818.9	826.5	833.9	840.6	846.6	852.9	859.1
% Ch	3.9	4.0	3.8	3.6	3.2	2.9	3.0	2.9
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	37.521	37.172	37.599	38.496	38.407	38.879	39.757	40.720
% Ch	-6.0	-3.7	4.7	9.9	-0.9	5.0	9.3	10.0
Single-Family	24.965	24.574	24.589	25.036	24.863	24.884	25.241	25.644
% Ch	-13.3	-6.1	0.2	7.5	-2.7	0.3	5.9	6.5
Multi-Family	12.556	12.598	13.011	13.460	13.545	13.995	14.516	15.076
% Ch	11.0	1.3	13.8	14.6	2.5	14.0	15.7	16.3
Mortgage Rate (%)	7.69	7.96	8.14	8.17	8.35	8.38	8.30	8.21

Table A2.1

U.S. Nonagricultural Employment by Industry

Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Wage and Salary Employment	125.85	128.90	131.72	131.93	130.84	132.78	135.57	137.59
% Ch	2.6	2.4	2.2	0.2	-0.8	1.5	2.1	1.5
Manufacturing	18.81	18.55	18.48	17.69	16.82	16.89	17.03	17.34
% Ch	0.7	-1.3	-0.4	-4.2	-5.0	0.4	0.9	1.8
Nondurable Manufacturing	7.60	7.44	7.33	7.06	6.85	6.96	7.06	7.12
% Ch	-0.8	-2.1	-1.5	-3.7	-3.0	1.7	1.4	0.9
Food and Kindred Products	1.68	1.68	1.69	1.69	1.69	1.72	1.75	1.77
% Ch	-0.0	-0.1	0.3	0.2	0.1	1.9	1.6	1.3
Pulp and Paper	0.68	0.67	0.66	0.63	0.62	0.63	0.64	0.65
% Ch	-0.8	-1.4	-1.7	-3.3	-2.7	2.1	2.0	1.2
Apparel	0.77	0.69	0.63	0.57	0.53	0.53	0.51	0.50
% Ch	-7.1	-9.9	-8.1	-10.6	-7.1	0.4	-2.6	-2.7
Printing	1.56	1.55	1.55	1.49	1.42	1.47	1.53	1.59
% Ch	0.8	-0.8	-0.3	-3.7	-4.9	3.3	4.7	3.8
Chemicals	1.04	1.04	1.03	1.02	1.01	1.00	0.99	0.97
% Ch	0.7	-0.7	-0.1	-1.2	-1.6	-0.8	-1.0	-1.5
Other Nondurables	1.87	1.81	1.77	1.66	1.59	1.62	1.63	1.63
% Ch	-1.0	-2.8	-2.2	-6.7	-4.2	2.0	0.6	0.2
Durable Manufacturing	11.21	11.11	11.14	10.64	9.97	9.92	9.97	10.22
% Ch	1.8	-0.8	0.3	-4.6	-6.3	-0.5	0.5	2.4
Lumber and Wood	0.81	0.83	0.83	0.79	0.77	0.79	0.82	0.85
% Ch	2.2	2.6	-0.5	-5.3	-2.1	2.7	3.8	3.0
Furniture	0.53	0.55	0.56	0.52	0.50	0.51	0.52	0.53
% Ch	4.1	2.9	1.5	-6.6	-4.8	3.0	1.9	1.9
Stone-Clay-Glass	0.56	0.57	0.58	0.57	0.55	0.56	0.56	0.56
% Ch	1.7	0.9	2.3	-1.5	-3.2	0.9	0.4	0.4
Primary Metals	0.71	0.70	0.70	0.66	0.60	0.61	0.64	0.66
% Ch	0.6	-2.1	0.0	-6.2	-9.1	2.5	4.4	3.1
Fabricated Metals	1.51	1.52	1.54	1.48	1.43	1.45	1.48	1.50
% Ch	2.1	0.8	1.2	-3.7	-3.8	1.5	2.6	1.2
Nonelectrical Machinery	2.21	2.14	2.12	2.01	1.83	1.74	1.67	1.70
% Ch	1.8	-3.2	-0.7	-5.2	-8.9	-5.2	-3.8	1.7
Electrical Machinery	1.71	1.67	1.73	1.63	1.44	1.36	1.30	1.38
% Ch	1.1	-2.1	3.3	-5.6	-11.8	-5.3	-4.8	6.8
Transportation Equipment	1.89	1.89	1.85	1.76	1.68	1.71	1.75	1.77
% Ch	2.6	-0.3	-1.9	-5.0	-4.7	1.8	2.6	1.1
Instruments	0.87	0.86	0.85	0.84	0.81	0.82	0.84	0.86
% Ch	0.8	-2.0	-1.1	-0.7	-3.5	1.5	2.3	2.7
Other Durables	0.39	0.39	0.39	0.38	0.37	0.38	0.39	0.40
% Ch	0.8	-0.8	0.3	-3.3	-2.0	1.3	3.4	2.5
Nonmanufacturing	107.05	110.35	113.24	114.23	114.02	115.89	118.54	120.25
% Ch	2.9	3.1	2.6	0.9	-0.2	1.6	2.3	1.4
Mining	0.59	0.54	0.54	0.56	0.56	0.59	0.59	0.58
% Ch	-1.1	-8.7	0.7	4.0	-0.5	4.3	0.7	-2.4
Construction	6.02	6.41	6.66	6.69	6.54	6.60	6.79	6.84
% Ch	5.8	6.6	3.7	0.5	-2.3	1.0	2.9	0.7
Trans., Comm. and Utilities	6.61	6.83	7.03	7.07	6.81	7.01	7.27	7.41
% Ch	3.2	3.4	2.9	0.5	-3.7	3.0	3.7	1.9
Wholesale Trade	6.80	6.91	6.95	6.78	6.69	6.79	6.94	7.00
% Ch	2.3	1.6	0.5	-2.5	-1.2	1.4	2.2	0.9
Retail Trade	22.30	22.85	23.33	23.52	23.30	23.36	23.55	23.63
% Ch	1.5	2.5	2.1	0.8	-0.9	0.2	0.8	0.4
Finance-Insurance-Real Estate	7.39	7.56	7.58	7.71	7.75	7.94	8.21	8.35
% Ch	3.9	2.3	0.3	1.8	0.4	2.5	3.5	1.7
Services	37.53	39.05	40.46	40.98	41.19	42.34	43.83	45.05
% Ch	4.1	4.1	3.6	1.3	0.5	2.8	3.5	2.8
State and Local Government	17.13	17.53	17.92	18.31	18.58	18.61	18.69	18.71
% Ch	1.7	2.4	2.2	2.2	1.5	0.2	0.4	0.1
Federal Government	2.69	2.67	2.78	2.62	2.61	2.66	2.68	2.69
% Ch	-0.5	-0.7	4.2	-5.8	-0.2	1.8	0.7	0.3

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Wage and Salary Employment	130.99	131.82	131.88	132.18	132.43	132.19	131.94	131.13
% Ch	2.7	2.5	0.2	0.9	0.8	-0.7	-0.8	-2.4
Manufacturing	18.50	18.51	18.49	18.40	18.20	17.87	17.54	17.17
% Ch	0.0	0.2	-0.3	-2.0	-4.4	-6.9	-7.3	-8.0
Nondurable Manufacturing	7.38	7.36	7.32	7.27	7.20	7.10	7.02	6.93
% Ch	-1.2	-0.9	-2.3	-2.8	-3.8	-5.4	-4.6	-5.0
Food and Kindred Products	1.69	1.69	1.68	1.69	1.69	1.69	1.69	1.69
% Ch	-0.3	0.0	-1.3	0.2	2.0	-0.6	-0.8	0.1
Pulp and Paper	0.66	0.66	0.66	0.65	0.65	0.64	0.63	0.63
% Ch	-1.2	-1.8	-1.0	-2.2	-4.2	-4.5	-4.7	-2.7
Apparel	0.65	0.64	0.63	0.61	0.59	0.57	0.56	0.54
% Ch	-7.4	-5.4	-8.4	-9.8	-11.2	-13.4	-10.9	-11.9
Printing	1.55	1.55	1.55	1.54	1.53	1.50	1.48	1.45
% Ch	-0.6	0.8	-0.1	-2.0	-3.6	-6.5	-6.1	-6.8
Chemicals	1.04	1.04	1.03	1.03	1.03	1.02	1.02	1.01
% Ch	1.0	-0.6	-2.2	-0.1	-1.0	-1.9	-0.4	-2.6
Other Nondurables	1.79	1.79	1.77	1.75	1.71	1.67	1.64	1.60
% Ch	-1.3	-1.4	-3.5	-5.5	-8.3	-8.6	-7.4	-8.5
Durable Manufacturing	11.12	11.15	11.17	11.13	11.00	10.77	10.52	10.25
% Ch	0.8	0.9	1.0	-1.5	-4.7	-7.9	-9.0	-10.0
Lumber and Wood	0.84	0.84	0.83	0.81	0.80	0.79	0.78	0.77
% Ch	0.6	-2.4	-3.9	-6.9	-7.9	-4.0	-2.5	-5.7
Furniture	0.56	0.56	0.56	0.56	0.54	0.53	0.51	0.50
% Ch	1.0	1.4	1.4	-2.1	-9.3	-9.7	-11.6	-12.4
Stone-Clay-Glass	0.58	0.58	0.58	0.58	0.58	0.57	0.57	0.56
% Ch	4.5	0.0	0.5	-1.4	1.4	-4.1	-4.6	-4.6
Primary Metals	0.70	0.70	0.70	0.69	0.68	0.67	0.65	0.63
% Ch	2.1	0.0	-0.6	-3.0	-7.1	-9.1	-10.0	-13.3
Fabricated Metals	1.53	1.54	1.54	1.54	1.52	1.49	1.47	1.44
% Ch	1.3	3.0	1.0	-0.9	-5.1	-7.2	-5.8	-7.4
Nonelectrical Machinery	2.11	2.11	2.13	2.12	2.10	2.05	1.98	1.91
% Ch	-0.7	-0.3	3.8	-1.5	-3.7	-10.3	-12.8	-13.1
Electrical Machinery	1.69	1.71	1.75	1.76	1.74	1.67	1.59	1.52
% Ch	2.6	5.6	9.8	1.1	-2.8	-15.5	-18.8	-15.8
Transportation Equipment	1.87	1.87	1.84	1.83	1.79	1.77	1.76	1.72
% Ch	0.1	-0.6	-7.3	-2.4	-7.5	-3.7	-3.3	-8.4
Instruments	0.84	0.84	0.85	0.85	0.85	0.85	0.84	0.83
% Ch	-1.7	-0.3	1.9	1.3	0.3	-2.2	-3.9	-5.5
Other Durables	0.39	0.39	0.39	0.39	0.39	0.38	0.38	0.37
% Ch	0.7	-2.0	1.7	-2.0	-5.3	-3.1	-6.8	-3.2
Nonmanufacturing	112.49	113.31	113.38	113.79	114.24	114.32	114.41	113.96
% Ch	3.2	2.9	0.3	1.4	1.6	0.3	0.3	-1.6
Mining	0.53	0.54	0.55	0.55	0.56	0.57	0.57	0.57
% Ch	0.8	5.9	2.5	4.7	3.7	6.6	3.8	-3.5
Construction	6.67	6.64	6.64	6.67	6.74	6.70	6.68	6.64
% Ch	7.7	-1.6	0.2	2.0	4.0	-2.4	-1.3	-2.5
Trans., Comm. and Utilities	6.97	7.01	7.04	7.11	7.14	7.13	7.08	6.91
% Ch	2.9	2.5	1.9	4.2	1.8	-0.9	-2.7	-9.2
Wholesale Trade	6.98	6.97	6.93	6.91	6.84	6.79	6.76	6.71
% Ch	1.4	-0.8	-1.8	-1.7	-3.7	-2.7	-1.9	-3.1
Retail Trade	23.21	23.30	23.37	23.44	23.55	23.57	23.55	23.41
% Ch	2.6	1.6	1.2	1.2	1.8	0.4	-0.4	-2.3
Finance-Insurance-Real Estate	7.57	7.55	7.57	7.62	7.66	7.71	7.73	7.75
% Ch	-0.2	-0.9	0.8	2.8	2.3	2.5	0.9	1.0
Services	40.03	40.34	40.62	40.84	41.00	40.99	41.04	40.88
% Ch	3.7	3.1	2.8	2.2	1.5	-0.0	0.4	-1.5
State and Local Government	17.81	17.88	17.96	18.02	18.13	18.25	18.38	18.48
% Ch	2.1	1.7	1.7	1.2	2.6	2.6	3.0	2.1
Federal Government	2.73	3.08	2.70	2.62	2.62	2.62	2.62	2.62
% Ch	13.0	61.7	-40.9	-11.0	-0.3	-0.3	1.1	-0.8

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Wage and Salary Employment	130.76	130.72	130.82	131.06	131.73	132.37	133.10	133.91
% Ch	-1.1	-0.1	0.3	0.7	2.1	1.9	2.2	2.5
Manufacturing	16.88	16.78	16.75	16.85	16.87	16.86	16.89	16.92
% Ch	-6.6	-2.5	-0.5	2.2	0.4	-0.1	0.7	0.8
Nondurable Manufacturing	6.86	6.82	6.83	6.88	6.92	6.95	6.98	7.00
% Ch	-3.7	-2.5	0.6	3.3	2.5	1.6	1.6	1.1
Food and Kindred Products	1.69	1.69	1.69	1.71	1.71	1.72	1.73	1.73
% Ch	-0.6	1.0	0.1	3.8	2.0	1.5	2.4	0.8
Pulp and Paper	0.62	0.61	0.61	0.62	0.62	0.63	0.63	0.64
% Ch	-3.0	-4.8	1.0	4.1	2.2	2.7	2.3	2.3
Apparel	0.53	0.52	0.52	0.53	0.54	0.53	0.53	0.52
% Ch	-6.3	-6.6	0.8	3.8	5.4	-3.5	-3.1	-3.1
Printing	1.43	1.41	1.41	1.43	1.44	1.46	1.47	1.49
% Ch	-6.8	-5.4	0.9	4.2	4.3	4.7	4.6	4.7
Chemicals	1.01	1.01	1.00	1.00	1.00	1.00	1.00	0.99
% Ch	-2.1	-1.1	-1.1	-0.9	-0.6	-0.5	-0.9	-1.2
Other Nondurables	1.58	1.58	1.58	1.60	1.61	1.62	1.62	1.62
% Ch	-4.6	-2.3	1.9	4.3	2.4	1.6	1.1	0.6
Durable Manufacturing	10.02	9.96	9.93	9.96	9.94	9.91	9.91	9.92
% Ch	-8.5	-2.5	-1.3	1.5	-0.9	-1.2	0.0	0.5
Lumber and Wood	0.77	0.77	0.77	0.77	0.78	0.79	0.79	0.80
% Ch	-1.4	-1.2	-0.7	3.5	2.8	4.4	3.8	3.5
Furniture	0.49	0.50	0.49	0.50	0.51	0.51	0.51	0.51
% Ch	-4.0	3.3	-1.3	6.1	3.6	3.2	1.6	2.3
Stone-Clay-Glass	0.55	0.55	0.55	0.56	0.56	0.56	0.56	0.56
% Ch	-6.3	-1.0	1.4	1.8	1.4	0.2	0.7	0.4
Primary Metals	0.60	0.60	0.59	0.60	0.60	0.61	0.61	0.62
% Ch	-15.0	-3.7	-2.0	2.1	3.2	4.8	4.6	5.2
Fabricated Metals	1.42	1.43	1.42	1.43	1.43	1.44	1.45	1.46
% Ch	-5.1	0.4	-1.1	2.3	1.0	1.9	3.3	3.4
Nonelectrical Machinery	1.86	1.84	1.83	1.81	1.78	1.74	1.73	1.70
% Ch	-10.8	-4.4	-1.1	-5.2	-6.6	-7.3	-3.6	-5.2
Electrical Machinery	1.46	1.44	1.42	1.44	1.41	1.37	1.34	1.33
% Ch	-14.8	-6.7	-4.9	6.4	-7.9	-11.3	-8.1	-4.0
Transportation Equipment	1.68	1.67	1.67	1.68	1.69	1.70	1.71	1.72
% Ch	-9.1	-0.9	-0.3	1.7	2.7	2.7	2.0	2.1
Instruments	0.82	0.81	0.81	0.81	0.81	0.82	0.82	0.83
% Ch	-4.6	-3.9	-0.6	1.8	2.3	2.3	2.5	2.7
Other Durables	0.37	0.37	0.37	0.37	0.37	0.37	0.38	0.38
% Ch	-1.4	-0.7	1.2	0.1	1.0	1.5	2.8	5.1
Nonmanufacturing	113.88	113.94	114.07	114.21	114.87	115.50	116.20	116.98
% Ch	-0.3	0.2	0.4	0.5	2.3	2.2	2.4	2.7
Mining	0.56	0.56	0.56	0.57	0.58	0.58	0.59	0.59
% Ch	-1.2	-3.5	-1.9	8.4	9.6	1.3	3.0	3.9
Construction	6.60	6.55	6.51	6.48	6.53	6.55	6.63	6.69
% Ch	-2.0	-3.4	-1.9	-2.1	2.8	1.8	4.5	3.6
Trans., Comm. and Utilities	6.83	6.79	6.79	6.82	6.91	6.97	7.05	7.13
% Ch	-4.5	-2.3	-0.5	2.1	5.3	3.7	4.4	4.6
Wholesale Trade	6.69	6.68	6.70	6.70	6.73	6.76	6.80	6.85
% Ch	-1.0	-0.6	1.2	-0.2	2.1	1.7	2.7	2.8
Retail Trade	23.35	23.33	23.35	23.19	23.24	23.35	23.37	23.46
% Ch	-1.0	-0.4	0.3	-2.7	0.9	1.8	0.5	1.5
Finance-Insurance-Real Estate	7.74	7.74	7.73	7.77	7.83	7.90	7.98	8.06
% Ch	-0.2	-0.4	-0.3	2.0	3.1	3.8	3.9	4.1
Services	40.92	41.09	41.25	41.49	41.82	42.14	42.51	42.89
% Ch	0.4	1.6	1.5	2.3	3.2	3.2	3.5	3.6
State and Local Government	18.56	18.60	18.58	18.57	18.59	18.59	18.61	18.65
% Ch	1.7	1.0	-0.5	-0.1	0.4	0.0	0.5	0.8
Federal Government	2.61	2.60	2.61	2.63	2.65	2.66	2.67	2.67
% Ch	-1.3	-0.9	0.5	3.4	2.7	1.7	1.3	1.0

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Wage and Salary Employment	134.61	135.26	135.91	136.51	137.01	137.39	137.80	138.17
% Ch	2.1	1.9	1.9	1.8	1.4	1.1	1.2	1.1
Manufacturing	16.95	16.97	17.06	17.14	17.22	17.31	17.38	17.44
% Ch	0.7	0.5	2.1	2.1	1.8	1.9	1.8	1.4
Nondurable Manufacturing	7.02	7.04	7.08	7.09	7.11	7.12	7.13	7.13
% Ch	1.2	1.3	2.0	1.0	0.6	0.8	0.6	0.2
Food and Kindred Products	1.74	1.75	1.76	1.76	1.77	1.77	1.78	1.78
% Ch	0.8	2.4	3.1	0.3	0.7	1.9	1.2	-0.0
Pulp and Paper	0.64	0.64	0.64	0.65	0.65	0.65	0.65	0.65
% Ch	1.7	1.3	2.3	1.8	1.2	0.8	0.5	0.3
Apparel	0.52	0.52	0.51	0.51	0.51	0.50	0.50	0.50
% Ch	-1.5	-2.4	-3.4	-3.6	-1.9	-2.5	-2.4	-2.6
Printing	1.51	1.52	1.54	1.56	1.57	1.59	1.60	1.61
% Ch	4.7	4.3	5.2	4.5	3.5	3.3	3.0	2.9
Chemicals	0.99	0.99	0.99	0.98	0.98	0.98	0.97	0.97
% Ch	-1.2	-1.4	-0.3	-0.8	-1.9	-1.9	-2.0	-2.1
Other Nondurables	1.62	1.62	1.63	1.63	1.63	1.63	1.63	1.63
% Ch	0.5	0.2	0.8	0.8	-0.0	-0.0	-0.1	-0.0
Durable Manufacturing	9.93	9.93	9.98	10.05	10.12	10.19	10.25	10.31
% Ch	0.3	-0.1	2.1	2.8	2.7	2.7	2.7	2.2
Lumber and Wood	0.81	0.82	0.83	0.83	0.84	0.84	0.85	0.85
% Ch	3.4	3.7	4.8	4.1	2.4	2.2	2.3	2.5
Furniture	0.52	0.52	0.52	0.53	0.53	0.53	0.53	0.53
% Ch	1.4	0.2	3.6	3.5	1.3	1.4	1.2	1.0
Stone-Clay-Glass	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56
% Ch	0.3	0.1	1.0	0.5	0.1	0.3	0.4	0.1
Primary Metals	0.63	0.63	0.64	0.65	0.65	0.66	0.66	0.66
% Ch	3.9	3.8	5.0	4.4	2.0	2.7	2.3	2.0
Fabricated Metals	1.47	1.48	1.49	1.50	1.50	1.50	1.50	1.51
% Ch	2.5	2.1	2.3	1.8	0.9	0.6	0.7	0.5
Nonelectrical Machinery	1.68	1.66	1.67	1.67	1.69	1.70	1.70	1.71
% Ch	-4.5	-5.5	1.7	1.8	3.8	1.9	1.4	1.1
Electrical Machinery	1.31	1.29	1.28	1.30	1.33	1.36	1.40	1.44
% Ch	-4.9	-5.1	-3.8	6.0	9.4	10.8	12.4	11.2
Transportation Equipment	1.73	1.74	1.76	1.77	1.76	1.77	1.77	1.77
% Ch	2.8	3.1	3.2	1.5	-0.1	0.9	0.4	0.0
Instruments	0.83	0.84	0.84	0.85	0.86	0.86	0.87	0.87
% Ch	1.8	1.3	3.7	3.0	3.2	2.9	2.2	0.2
Other Durables	0.39	0.39	0.39	0.39	0.40	0.40	0.40	0.40
% Ch	3.6	2.2	3.6	3.6	2.3	1.9	1.9	1.9
Nonmanufacturing	117.66	118.29	118.85	119.37	119.78	120.09	120.41	120.72
% Ch	2.3	2.2	1.9	1.8	1.4	1.0	1.1	1.0
Mining	0.60	0.59	0.59	0.58	0.58	0.58	0.58	0.57
% Ch	1.5	-1.7	-2.5	-2.9	-3.4	-0.7	-1.8	-3.6
Construction	6.75	6.79	6.80	6.82	6.83	6.84	6.84	6.84
% Ch	4.0	2.1	1.0	1.2	0.6	0.4	0.0	-0.1
Trans., Comm. and Utilities	7.19	7.25	7.30	7.35	7.38	7.40	7.42	7.44
% Ch	3.7	3.1	2.8	3.0	1.7	1.1	1.0	1.2
Wholesale Trade	6.89	6.93	6.95	6.98	6.99	7.00	7.00	7.01
% Ch	2.4	2.0	1.5	1.3	0.7	0.3	0.5	0.5
Retail Trade	23.51	23.54	23.56	23.58	23.61	23.61	23.64	23.66
% Ch	0.8	0.5	0.4	0.3	0.5	0.1	0.4	0.3
Finance-Insurance-Real Estate	8.12	8.19	8.25	8.30	8.33	8.34	8.36	8.38
% Ch	2.9	3.8	3.0	2.2	1.5	0.6	0.8	1.2
Services	43.26	43.64	44.02	44.38	44.68	44.92	45.18	45.41
% Ch	3.5	3.6	3.5	3.2	2.7	2.2	2.3	2.1
State and Local Government	18.67	18.69	18.70	18.70	18.71	18.71	18.71	18.72
% Ch	0.4	0.3	0.2	0.1	0.1	0.0	0.1	0.1
Federal Government	2.68	2.68	2.68	2.68	2.68	2.69	2.69	2.69
% Ch	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3

Table A2.3
Washington Nonagricultural Employment by Industry
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Wage and Salary Employment	2,594.7	2,648.7	2,711.5	2,696.4	2,638.6	2,667.0	2,726.2	2,782.9
% Ch	3.2	2.1	2.4	-0.6	-2.1	1.1	2.2	2.1
Manufacturing	379.6	364.1	353.1	338.3	310.3	305.7	309.8	320.2
% Ch	2.6	-4.1	-3.0	-4.2	-8.3	-1.5	1.4	3.3
Nondurable Manufacturing	108.6	108.3	108.7	103.7	98.4	100.3	102.1	104.5
% Ch	-0.2	-0.2	0.3	-4.6	-5.1	2.0	1.8	2.3
Food and Kindred Products	40.7	41.1	41.5	39.8	38.2	39.0	39.5	40.4
% Ch	-1.4	0.9	0.9	-4.0	-4.0	2.1	1.3	2.2
Pulp and Paper	16.2	15.9	15.9	14.9	14.0	14.1	14.1	14.1
% Ch	-0.7	-2.0	0.2	-6.1	-6.0	0.4	-0.1	0.2
Apparel	9.6	8.7	8.3	7.6	6.8	6.9	6.8	6.8
% Ch	-5.5	-8.9	-4.7	-8.7	-10.3	1.3	-1.1	-0.6
Printing	24.4	24.2	24.5	23.4	21.8	22.6	23.7	24.9
% Ch	0.9	-0.9	1.2	-4.4	-6.6	3.7	4.7	4.9
Chemicals	6.0	6.2	6.1	6.0	5.9	6.1	6.3	6.5
% Ch	6.1	3.0	-0.8	-2.3	-1.1	3.6	3.0	3.2
Other Nondurables	11.7	12.3	12.4	12.0	11.6	11.6	11.7	11.8
% Ch	4.5	4.8	1.0	-3.1	-3.4	-0.3	0.9	1.4
Durable Manufacturing	271.0	255.8	244.5	234.6	211.9	205.4	207.7	215.7
% Ch	3.7	-5.6	-4.4	-4.0	-9.7	-3.1	1.2	3.8
Lumber and Wood	34.2	33.9	33.3	31.1	30.3	31.2	32.1	32.9
% Ch	-4.1	-0.7	-1.8	-6.6	-2.7	3.0	3.1	2.4
Furniture	4.7	4.7	5.0	4.7	4.2	4.3	4.3	4.4
% Ch	14.5	1.4	4.9	-5.4	-10.2	1.6	1.1	1.7
Stone-Clay-Glass	9.1	8.9	9.2	8.8	8.4	8.3	8.3	8.3
% Ch	-4.0	-2.7	3.3	-4.4	-4.8	-0.6	-0.5	-0.0
Primary Metals	12.0	11.7	11.1	9.1	7.4	7.5	8.0	8.3
% Ch	3.0	-2.4	-5.0	-18.1	-18.6	1.0	7.2	3.0
Fabricated Metals	14.8	14.6	14.9	14.3	13.3	13.4	13.7	13.9
% Ch	3.7	-1.2	2.1	-4.3	-6.9	0.9	1.7	2.1
Nonelectrical Machinery	26.1	25.1	25.6	24.3	21.8	20.7	19.8	20.0
% Ch	-1.8	-3.8	1.9	-5.1	-10.1	-5.0	-4.8	1.3
Electrical Machinery	18.5	18.5	20.3	19.2	15.8	16.2	17.7	19.2
% Ch	8.8	-0.3	10.0	-5.4	-17.9	2.7	8.9	8.8
Aerospace	112.4	98.9	86.1	86.8	75.7	67.9	67.4	71.3
% Ch	7.1	-12.0	-12.9	0.8	-12.8	-10.3	-0.9	5.8
Other Trans. Equip.	15.6	15.9	15.3	13.3	13.0	13.2	13.4	13.5
% Ch	7.6	1.7	-4.0	-12.9	-2.1	1.8	1.2	0.8
Instruments	14.9	14.8	14.6	14.5	13.9	14.2	14.5	15.0
% Ch	2.7	-0.7	-1.0	-0.9	-4.1	1.8	2.5	3.3
Other Durables	8.7	8.8	9.0	8.5	8.1	8.4	8.6	8.9
% Ch	1.6	1.2	2.7	-5.8	-5.2	3.7	3.4	3.5
Nonmanufacturing	2,215.1	2,284.6	2,358.3	2,358.0	2,328.3	2,361.3	2,416.4	2,462.7
% Ch	3.3	3.1	3.2	-0.0	-1.3	1.4	2.3	1.9
Mining	3.3	3.1	3.6	3.4	3.2	3.4	3.5	3.6
% Ch	-6.1	-4.2	13.7	-4.0	-6.3	4.7	3.3	2.2
Construction	143.7	153.8	160.2	155.4	150.0	150.5	152.0	153.1
% Ch	5.4	7.1	4.1	-3.0	-3.5	0.3	1.0	0.7
Trans., Comm. and Utilities	135.6	139.7	146.6	146.4	139.8	143.5	149.5	154.1
% Ch	2.1	3.0	4.9	-0.1	-4.5	2.7	4.2	3.1
Wholesale Trade	153.1	154.1	151.3	144.1	139.9	142.4	147.7	150.5
% Ch	2.3	0.7	-1.8	-4.8	-2.9	1.7	3.8	1.9
Retail Trade	469.6	482.0	493.9	489.6	475.8	476.4	481.8	486.7
% Ch	2.7	2.6	2.5	-0.9	-2.8	0.1	1.1	1.0
Finance-Insurance-Real Estate	134.6	137.6	137.5	140.7	141.7	144.7	149.8	154.1
% Ch	5.4	2.2	-0.1	2.4	0.7	2.1	3.6	2.8
Services	709.3	739.7	781.9	773.0	767.0	791.5	822.5	849.8
% Ch	4.5	4.3	5.7	-1.1	-0.8	3.2	3.9	3.3
State and Local Government	398.8	406.9	413.6	437.4	442.8	440.0	440.1	441.1
% Ch	2.2	2.0	1.6	5.8	1.2	-0.6	0.0	0.2
Federal Government	67.2	67.6	69.9	67.9	68.1	69.0	69.4	69.8
% Ch	-0.9	0.5	3.4	-2.8	0.2	1.3	0.6	0.5

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Wage and Salary Employment	2,696.8	2,710.2	2,715.9	2,722.9	2,720.2	2,709.3	2,693.1	2,662.8
% Ch	3.7	2.0	0.8	1.0	-0.4	-1.6	-2.4	-4.4
Manufacturing	351.9	355.2	353.6	351.8	347.9	342.1	336.7	326.6
% Ch	-7.2	3.8	-1.7	-2.1	-4.3	-6.5	-6.2	-11.5
Nondurable Manufacturing	109.0	109.1	109.0	107.5	105.8	104.8	103.5	100.6
% Ch	0.3	0.4	-0.4	-5.2	-6.2	-3.9	-4.8	-10.8
Food and Kindred Products	41.2	41.9	42.0	40.8	40.2	40.3	40.1	38.7
% Ch	-1.8	7.1	1.3	-10.8	-5.6	0.2	-2.1	-13.3
Pulp and Paper	15.9	16.0	15.9	15.9	15.3	15.0	14.8	14.6
% Ch	3.2	-0.4	1.5	-4.3	-2.8	-5.0	-10.5	-12.5
Apparel	8.5	8.4	8.3	8.2	8.0	7.8	7.5	7.1
% Ch	-13.9	-2.3	-6.5	-3.5	-9.1	-11.2	-12.1	-18.3
Printing	24.5	24.5	24.6	24.3	24.1	23.8	23.2	22.4
% Ch	3.2	-0.4	1.5	-4.3	-2.8	-5.0	-10.5	-12.5
Chemicals	6.3	6.0	6.1	6.1	6.1	6.0	6.0	5.9
% Ch	-0.6	-15.5	1.9	6.0	-2.4	-8.3	-1.1	-3.8
Other Nondurables	12.7	12.4	12.2	12.2	12.1	12.0	12.0	11.9
% Ch	13.0	-9.7	-4.2	-0.2	-5.4	-3.6	3.1	-3.8
Durable Manufacturing	242.9	246.1	244.6	244.2	242.1	237.3	233.2	225.9
% Ch	-10.3	5.4	-2.3	-0.6	-3.5	-7.6	-6.8	-11.8
Lumber and Wood	34.0	33.8	33.0	32.4	32.0	31.1	31.0	30.3
% Ch	2.3	-2.0	-9.4	-6.3	-5.2	-10.4	-1.4	-9.5
Furniture	4.8	5.0	5.0	5.0	4.9	4.8	4.7	4.5
% Ch	8.2	13.4	1.5	2.3	-10.2	-11.0	-7.5	-16.2
Stone-Clay-Glass	9.2	9.2	9.1	9.2	9.2	9.0	8.6	8.4
% Ch	8.4	-0.6	-3.9	1.8	1.6	-9.7	-18.2	-5.4
Primary Metals	11.3	11.1	10.8	11.2	10.1	9.6	8.6	8.1
% Ch	-9.7	-8.7	-10.2	17.2	-34.4	-17.3	-36.5	-22.2
Fabricated Metals	14.9	15.0	15.0	14.9	14.9	14.4	14.0	13.8
% Ch	0.1	2.9	0.4	-1.2	-0.7	-12.1	-10.8	-6.0
Nonelectrical Machinery	25.3	25.6	25.7	25.7	25.4	24.7	24.1	23.0
% Ch	0.9	4.1	1.5	0.9	-5.8	-9.6	-9.8	-17.4
Electrical Machinery	19.4	19.9	20.7	21.3	21.2	19.8	18.6	17.2
% Ch	20.2	12.6	16.8	10.7	-0.8	-23.9	-22.1	-26.6
Aerospace	84.4	87.6	86.6	86.0	86.8	87.0	87.5	85.8
% Ch	-29.6	16.0	-4.4	-2.8	4.1	0.9	2.3	-7.6
Other Trans. Equip.	16.0	15.5	15.0	14.6	14.1	13.4	13.1	12.6
% Ch	4.5	-11.7	-12.4	-9.9	-13.9	-17.1	-9.6	-14.3
Instruments	14.5	14.6	14.7	14.7	14.6	14.7	14.6	14.2
% Ch	-6.2	2.5	2.4	-0.4	-3.2	3.4	-3.5	-10.3
Other Durables	9.0	8.8	9.1	9.2	8.9	8.6	8.4	8.1
% Ch	0.2	-10.0	11.7	4.5	-11.8	-9.6	-12.2	-12.8
Nonmanufacturing	2,344.9	2,355.0	2,362.3	2,371.1	2,372.3	2,367.2	2,356.5	2,336.2
% Ch	5.5	1.7	1.2	1.5	0.2	-0.9	-1.8	-3.4
Mining	3.5	3.6	3.6	3.5	3.4	3.5	3.5	3.4
% Ch	39.3	7.4	1.5	-9.4	-11.7	5.0	0.4	-10.4
Construction	160.7	160.4	159.0	160.5	159.8	156.5	154.5	150.8
% Ch	8.9	-0.7	-3.4	3.6	-1.5	-8.2	-5.0	-9.2
Trans., Comm. and Utilities	144.0	145.7	147.3	149.4	149.3	148.4	145.7	142.3
% Ch	4.0	4.9	4.5	5.8	-0.3	-2.4	-7.1	-9.0
Wholesale Trade	154.3	152.5	150.1	148.3	146.6	144.9	143.7	141.1
% Ch	-0.8	-4.6	-6.2	-4.6	-4.4	-4.6	-3.4	-7.1
Retail Trade	493.6	495.5	493.5	493.0	494.2	492.2	489.9	482.2
% Ch	4.8	1.5	-1.5	-0.5	1.0	-1.7	-1.9	-6.1
Finance-Insurance-Real Estate	137.8	137.2	137.1	137.7	138.9	139.5	141.9	142.6
% Ch	-0.5	-1.8	-0.4	1.7	3.6	1.9	7.1	1.8
Services	771.5	775.3	786.2	794.5	780.2	778.7	769.6	763.7
% Ch	9.9	2.0	5.7	4.3	-7.0	-0.8	-4.6	-3.0
State and Local Government	411.6	410.9	416.0	415.9	432.2	436.5	439.6	441.5
% Ch	2.8	-0.7	5.1	-0.1	16.6	4.1	2.9	1.7
Federal Government	67.9	73.9	69.4	68.4	67.6	67.1	68.2	68.7
% Ch	1.2	40.4	-22.4	-5.7	-4.5	-2.8	6.7	3.1

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Wage and Salary Employment	2,645.1	2,634.1	2,635.4	2,639.9	2,650.5	2,660.0	2,671.1	2,686.4
% Ch	-2.6	-1.7	0.2	0.7	1.6	1.4	1.7	2.3
Manufacturing	316.0	310.9	307.6	306.8	306.6	305.5	305.2	305.4
% Ch	-12.4	-6.3	-4.2	-1.1	-0.2	-1.4	-0.4	0.2
Nondurable Manufacturing	99.2	97.7	97.8	98.9	99.7	100.2	100.6	100.9
% Ch	-5.7	-5.8	0.7	4.5	3.0	2.0	1.7	1.2
Food and Kindred Products	38.5	37.7	38.1	38.6	38.8	39.0	39.1	39.1
% Ch	-1.9	-8.2	5.4	4.7	2.5	1.5	1.4	0.3
Pulp and Paper	14.1	14.1	13.9	14.0	14.1	14.1	14.1	14.1
% Ch	-13.7	2.2	-5.9	2.6	1.4	1.0	0.1	-0.3
Apparel	6.9	6.8	6.8	6.9	6.9	6.9	6.9	6.9
% Ch	-15.3	-2.7	-3.0	5.6	5.7	-1.6	-1.5	-1.4
Printing	22.1	21.6	21.6	22.0	22.3	22.5	22.8	23.0
% Ch	-5.5	-8.1	0.2	6.5	5.1	4.9	4.3	4.4
Chemicals	5.9	5.9	5.9	6.0	6.1	6.1	6.2	6.2
% Ch	2.6	-6.0	4.1	5.7	4.6	4.0	3.3	2.8
Other Nondurables	11.7	11.6	11.5	11.5	11.5	11.5	11.6	11.6
% Ch	-6.0	-4.5	-4.7	1.1	0.5	0.9	0.8	0.5
Durable Manufacturing	216.8	213.2	209.8	207.8	207.0	205.4	204.6	204.5
% Ch	-15.2	-6.5	-6.3	-3.6	-1.7	-3.1	-1.5	-0.3
Lumber and Wood	29.9	30.2	30.4	30.6	30.8	31.1	31.3	31.5
% Ch	-4.8	3.5	3.1	3.0	2.4	3.5	3.0	2.7
Furniture	4.3	4.2	4.2	4.2	4.3	4.3	4.3	4.3
% Ch	-15.3	-10.8	2.2	4.8	3.7	0.4	0.6	1.5
Stone-Clay-Glass	8.5	8.4	8.3	8.3	8.4	8.3	8.3	8.3
% Ch	4.8	-7.6	-4.4	3.3	0.7	-0.9	-1.3	-0.5
Primary Metals	7.6	7.3	7.3	7.3	7.3	7.4	7.5	7.7
% Ch	-21.2	-13.2	-1.0	0.9	-0.5	2.7	6.8	10.6
Fabricated Metals	13.5	13.3	13.1	13.3	13.4	13.4	13.4	13.5
% Ch	-9.0	-4.7	-6.5	5.7	1.9	1.4	1.5	2.0
Nonelectrical Machinery	22.1	21.9	21.8	21.6	21.3	20.8	20.6	20.3
% Ch	-14.3	-4.0	-1.4	-3.7	-6.2	-7.5	-4.3	-6.3
Electrical Machinery	16.1	15.6	15.6	15.8	15.8	16.0	16.3	16.7
% Ch	-23.4	-11.9	0.3	2.9	2.5	3.9	7.1	11.3
Aerospace	80.2	77.3	74.0	71.4	70.3	68.4	67.0	66.1
% Ch	-23.7	-13.9	-15.9	-13.1	-6.1	-10.5	-7.9	-5.3
Other Trans. Equip.	12.5	13.2	13.1	13.2	13.2	13.2	13.3	13.3
% Ch	-1.6	21.6	-0.4	0.4	0.5	1.3	1.3	1.1
Instruments	14.0	13.9	13.8	13.9	14.0	14.1	14.2	14.3
% Ch	-4.5	-4.1	-0.5	2.0	2.8	3.1	2.6	2.2
Other Durables	8.0	8.0	8.0	8.1	8.2	8.3	8.4	8.5
% Ch	-4.8	2.5	-0.0	5.3	4.6	4.1	3.8	3.5
Nonmanufacturing	2,329.2	2,323.2	2,327.8	2,333.2	2,343.9	2,354.4	2,365.9	2,381.0
% Ch	-1.2	-1.0	0.8	0.9	1.8	1.8	2.0	2.6
Mining	3.1	3.2	3.3	3.3	3.3	3.4	3.4	3.4
% Ch	-29.0	12.1	12.1	2.4	3.8	2.9	2.4	3.5
Construction	149.8	148.9	150.6	150.8	150.9	150.1	150.2	150.8
% Ch	-2.7	-2.1	4.4	0.8	0.1	-2.0	0.2	1.6
Trans., Comm. and Utilities	140.6	139.1	139.1	140.3	141.6	142.8	144.1	145.6
% Ch	-4.6	-4.3	0.1	3.5	3.7	3.5	3.7	4.3
Wholesale Trade	141.1	139.1	139.5	140.1	140.8	141.7	142.8	144.2
% Ch	0.1	-5.6	1.1	1.8	2.0	2.7	3.0	4.1
Retail Trade	479.8	475.7	475.1	472.5	473.7	476.0	476.9	479.1
% Ch	-2.0	-3.4	-0.5	-2.2	1.0	1.9	0.7	1.9
Finance-Insurance-Real Estate	142.0	141.3	141.3	142.3	143.2	144.1	145.1	146.3
% Ch	-1.5	-2.1	-0.1	3.0	2.7	2.4	2.7	3.4
Services	762.1	764.4	767.9	773.7	780.5	787.4	795.0	803.1
% Ch	-0.8	1.2	1.9	3.0	3.6	3.6	3.9	4.2
State and Local Government	442.3	443.9	443.1	441.8	441.1	440.0	439.5	439.3
% Ch	0.7	1.4	-0.7	-1.2	-0.6	-1.0	-0.5	-0.2
Federal Government	68.3	67.6	67.9	68.4	68.7	68.9	69.1	69.2
% Ch	-2.2	-4.2	1.9	2.5	2.0	1.3	1.0	0.8

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Wage and Salary Employment	2,702.3	2,718.2	2,734.4	2,750.0	2,763.4	2,776.1	2,789.5	2,802.5
% Ch	2.4	2.4	2.4	2.3	2.0	1.9	1.9	1.9
Manufacturing	306.7	308.3	310.8	313.4	316.1	318.9	321.6	324.1
% Ch	1.8	2.1	3.3	3.4	3.5	3.6	3.5	3.1
Nondurable Manufacturing	101.3	101.8	102.4	102.9	103.5	104.2	104.8	105.3
% Ch	1.7	1.9	2.5	1.9	2.3	2.7	2.5	1.9
Food and Kindred Products	39.2	39.4	39.6	39.7	40.0	40.3	40.5	40.7
% Ch	1.2	1.8	2.4	0.9	2.2	3.2	2.7	1.7
Pulp and Paper	14.1	14.1	14.1	14.1	14.1	14.1	14.1	14.1
% Ch	-0.2	-0.2	-0.1	0.1	0.3	0.3	0.3	0.0
Apparel	6.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8
% Ch	-0.3	-0.9	-1.5	-1.5	0.1	-0.2	-0.0	-0.5
Printing	23.3	23.5	23.9	24.2	24.4	24.7	25.0	25.3
% Ch	4.6	4.4	5.8	5.4	4.6	4.8	4.6	4.3
Chemicals	6.3	6.3	6.3	6.4	6.5	6.5	6.6	6.6
% Ch	2.6	2.5	3.5	3.5	3.0	3.3	3.4	3.1
Other Nondurables	11.6	11.6	11.7	11.7	11.8	11.8	11.8	11.9
% Ch	0.7	1.0	1.3	1.7	1.5	1.2	1.3	1.1
Durable Manufacturing	205.4	206.5	208.4	210.5	212.6	214.7	216.8	218.7
% Ch	1.9	2.2	3.7	4.1	4.0	4.0	3.9	3.6
Lumber and Wood	31.7	32.0	32.3	32.5	32.7	32.8	33.0	33.1
% Ch	2.9	3.0	3.7	3.3	1.8	1.7	1.8	1.9
Furniture	4.3	4.3	4.3	4.4	4.4	4.4	4.4	4.4
% Ch	1.1	0.8	1.4	1.7	1.8	2.0	2.0	1.7
Stone-Clay-Glass	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
% Ch	-0.1	-0.2	-0.3	-0.3	-0.1	0.3	0.4	0.2
Primary Metals	7.9	8.0	8.1	8.1	8.2	8.3	8.3	8.3
% Ch	9.3	6.3	4.1	4.1	2.8	2.2	1.3	0.5
Fabricated Metals	13.6	13.6	13.7	13.8	13.8	13.9	14.0	14.1
% Ch	1.4	1.5	2.1	1.9	2.0	2.2	2.5	2.1
Nonelectrical Machinery	20.0	19.6	19.7	19.7	19.9	20.0	20.0	20.1
% Ch	-5.8	-6.8	0.7	1.0	3.5	1.8	1.4	0.9
Electrical Machinery	17.1	17.5	17.8	18.2	18.6	19.0	19.4	19.9
% Ch	10.2	8.5	8.0	8.9	8.4	9.3	9.8	9.0
Aerospace	66.3	66.8	67.6	68.7	69.7	70.8	71.8	72.9
% Ch	1.3	3.0	5.1	6.2	6.2	6.2	6.2	6.2
Other Trans. Equip.	13.3	13.4	13.4	13.5	13.5	13.5	13.5	13.5
% Ch	1.1	1.1	1.1	1.2	0.7	0.5	0.4	0.4
Instruments	14.4	14.4	14.6	14.7	14.8	14.9	15.1	15.1
% Ch	2.1	2.1	3.2	3.3	3.8	3.8	3.4	1.4
Other Durables	8.5	8.6	8.7	8.8	8.8	8.9	9.0	9.1
% Ch	3.2	3.1	3.3	3.6	3.6	3.5	3.5	3.2
Nonmanufacturing	2,395.6	2,409.9	2,423.5	2,436.6	2,447.3	2,457.2	2,467.9	2,478.4
% Ch	2.5	2.4	2.3	2.2	1.8	1.6	1.7	1.7
Mining	3.4	3.5	3.5	3.5	3.5	3.5	3.6	3.6
% Ch	3.9	3.4	3.0	2.7	2.0	1.6	1.7	1.5
Construction	151.5	152.0	152.3	152.4	152.6	152.9	153.2	153.5
% Ch	1.9	1.2	0.9	0.3	0.6	0.8	0.8	0.7
Trans., Comm. and Utilities	147.1	148.7	150.3	151.8	152.7	153.6	154.5	155.4
% Ch	4.3	4.3	4.3	4.2	2.4	2.3	2.4	2.3
Wholesale Trade	145.7	147.1	148.4	149.7	150.0	150.3	150.6	151.0
% Ch	4.2	3.9	3.8	3.5	0.8	0.8	0.9	1.0
Retail Trade	480.2	481.2	482.3	483.4	484.7	485.9	487.4	489.0
% Ch	0.9	0.9	0.9	1.0	1.1	1.0	1.3	1.3
Finance-Insurance-Real Estate	147.7	149.1	150.5	151.9	152.8	153.7	154.5	155.3
% Ch	4.0	3.9	3.8	3.6	2.5	2.3	2.2	2.2
Services	810.9	818.9	826.5	833.9	840.6	846.6	852.9	859.1
% Ch	3.9	4.0	3.8	3.6	3.2	2.9	3.0	2.9
State and Local Government	439.7	440.0	440.3	440.4	440.7	440.9	441.2	441.5
% Ch	0.4	0.3	0.2	0.1	0.2	0.2	0.3	0.3
Federal Government	69.3	69.4	69.5	69.5	69.6	69.7	69.8	70.0
% Ch	0.5	0.4	0.4	0.5	0.5	0.6	0.6	0.7

Table A3.1
U.S. Personal Income by Component
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	7,426.0	7,786.5	8,406.6	8,685.3	8,975.9	9,419.5	9,911.9	10,437.0
% Ch	7.0	4.9	8.0	3.3	3.3	4.9	5.2	5.3
Total Wage and Salary Disbursements	4,192.8	4,470.4	4,836.3	4,950.6	5,026.2	5,281.3	5,602.4	5,906.8
% Ch	7.8	6.6	8.2	2.4	1.5	5.1	6.1	5.4
Nonwage Personal Income	3,233.2	3,316.1	3,570.2	3,734.7	3,949.7	4,138.3	4,309.5	4,530.2
% Ch	6.1	2.6	7.7	4.6	5.8	4.8	4.1	5.1
Other Labor Income	490.6	510.2	544.2	570.4	607.1	636.0	669.4	700.1
% Ch	3.2	4.0	6.7	4.8	6.4	4.8	5.3	4.6
Proprietor's Income	623.8	678.4	714.8	727.9	759.7	820.3	863.9	887.0
% Ch	7.3	8.8	5.4	1.8	4.4	8.0	5.3	2.7
Farm	25.6	27.7	22.6	19.0	14.9	19.7	22.4	22.5
% Ch	-13.9	8.3	-18.5	-15.6	-21.8	32.2	13.6	0.4
Nonfarm	598.2	650.7	692.2	708.8	744.8	800.6	841.5	864.6
% Ch	8.5	8.8	6.4	2.4	5.1	7.5	5.1	2.7
Less: Pers Cont. For Social Ins.	316.3	337.4	358.4	372.3	384.7	404.1	427.9	449.9
% Ch	6.2	6.7	6.2	3.9	3.4	5.0	5.9	5.1
Dividends/Int./Rent	1,451.4	1,446.4	1,599.3	1,638.3	1,682.5	1,758.1	1,827.3	1,942.3
% Ch	9.4	-0.3	10.6	2.4	2.7	4.5	3.9	6.3
Transfer Payments	983.7	1,018.5	1,070.3	1,170.4	1,285.1	1,328.0	1,376.7	1,450.6
% Ch	2.2	3.5	5.1	9.4	9.8	3.3	3.7	5.4

Table A3.2
U.S. Personal Income by Component
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Personal Income	8,211.6	8,350.2	8,487.8	8,576.6	8,658.1	8,676.2	8,706.2	8,700.9
% Ch	13.2	6.9	6.8	4.2	3.9	0.8	1.4	-0.2
Total Wage and Salary Disbursements	4,757.4	4,790.8	4,879.3	4,917.8	4,960.4	4,956.8	4,953.7	4,931.4
% Ch	16.7	2.8	7.6	3.2	3.5	-0.3	-0.3	-1.8
Nonwage Personal Income	3,454.2	3,559.4	3,608.5	3,658.8	3,697.7	3,719.3	3,752.4	3,769.5
% Ch	8.7	12.8	5.6	5.7	4.3	2.4	3.6	1.8
Other Labor Income	530.5	540.0	548.7	557.4	564.7	568.2	572.4	576.3
% Ch	9.8	7.4	6.6	6.4	5.4	2.5	3.0	2.8
Proprietor's Income	702.5	718.8	718.6	719.3	721.2	726.6	732.4	731.3
% Ch	3.0	9.6	-0.1	0.4	1.0	3.0	3.3	-0.6
Farm	22.3	25.0	21.7	21.2	19.3	18.4	19.3	19.2
% Ch	-39.8	57.6	-43.6	-8.2	-32.4	-16.8	21.0	-0.8
Nonfarm	680.2	693.8	696.9	698.1	701.9	708.2	713.1	712.1
% Ch	4.9	8.3	1.8	0.7	2.2	3.6	2.8	-0.6
Less: Pers Cont. For Social Ins.	354.5	355.3	360.6	363.1	371.1	372.2	373.1	372.7
% Ch	13.4	0.9	6.1	2.8	9.2	1.1	1.0	-0.4
Dividends/Int./Rent	1,530.9	1,590.3	1,625.1	1,651.0	1,648.0	1,637.6	1,638.2	1,629.5
% Ch	14.2	16.5	9.0	6.5	-0.7	-2.5	0.2	-2.1
Transfer Payments	1,044.8	1,065.5	1,076.6	1,094.2	1,135.0	1,159.1	1,182.5	1,205.0
% Ch	6.0	8.2	4.2	6.7	15.8	8.8	8.3	7.8

Table A3.2
U.S. Personal Income by Component
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,810.4	8,921.5	9,037.1	9,134.4	9,258.1	9,364.7	9,473.3	9,582.0
% Ch	5.1	5.1	5.3	4.4	5.5	4.7	4.7	4.7
Total Wage and Salary Disbursements	4,965.2	5,001.3	5,039.4	5,098.7	5,170.5	5,240.9	5,315.4	5,398.3
% Ch	2.8	2.9	3.1	4.8	5.8	5.6	5.8	6.4
Nonwage Personal Income	3,845.2	3,920.2	3,997.7	4,035.7	4,087.7	4,123.9	4,157.9	4,183.7
% Ch	8.3	8.0	8.1	3.9	5.2	3.6	3.3	2.5
Other Labor Income	590.8	603.6	615.7	618.3	625.0	631.3	639.8	647.7
% Ch	10.4	9.0	8.3	1.7	4.4	4.1	5.5	5.1
Proprietor's Income	748.4	750.2	762.2	777.9	796.8	814.5	830.3	839.7
% Ch	9.7	1.0	6.6	8.5	10.1	9.2	8.0	4.6
Farm	21.7	8.6	14.1	15.2	17.3	20.0	22.2	19.3
% Ch	62.2	-97.6	635.9	32.1	70.4	76.8	51.7	-42.2
Nonfarm	726.7	741.6	748.1	762.7	779.5	794.5	808.1	820.4
% Ch	8.4	8.5	3.5	8.1	9.1	7.9	7.0	6.2
Less: Pers Cont. For Social Ins.	380.9	383.8	385.4	388.9	395.9	401.0	406.4	413.0
% Ch	9.2	3.0	1.7	3.7	7.5	5.3	5.5	6.6
Dividends/Int./Rent	1,635.0	1,670.1	1,706.5	1,718.5	1,737.2	1,754.2	1,765.4	1,775.8
% Ch	1.3	8.9	9.0	2.8	4.4	4.0	2.6	2.4
Transfer Payments	1,252.0	1,280.1	1,298.6	1,309.8	1,324.6	1,324.9	1,328.8	1,333.4
% Ch	16.5	9.3	5.9	3.5	4.6	0.1	1.2	1.4

Table A3.2
U.S. Personal Income by Component
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,728.4	9,854.5	9,976.4	10,088.4	10,236.2	10,373.1	10,506.7	10,631.9
% Ch	6.3	5.3	5.0	4.6	6.0	5.5	5.3	4.9
Total Wage and Salary Disbursements	5,485.1	5,563.0	5,642.0	5,719.7	5,799.7	5,870.8	5,942.5	6,014.2
% Ch	6.6	5.8	5.8	5.6	5.7	5.0	5.0	4.9
Nonwage Personal Income	4,243.3	4,291.5	4,334.5	4,368.7	4,436.6	4,502.3	4,564.2	4,617.7
% Ch	5.8	4.6	4.1	3.2	6.4	6.1	5.6	4.8
Other Labor Income	656.3	666.4	673.8	681.3	689.3	697.0	703.6	710.7
% Ch	5.4	6.3	4.6	4.5	4.8	4.5	3.8	4.1
Proprietor's Income	850.5	862.2	870.2	872.7	880.0	886.2	890.1	891.9
% Ch	5.2	5.6	3.7	1.2	3.4	2.8	1.8	0.8
Farm	19.3	22.5	25.1	22.7	22.1	23.6	23.6	20.7
% Ch	-1.0	84.5	54.7	-32.7	-10.2	29.2	0.3	-41.2
Nonfarm	831.2	839.7	845.1	850.0	857.9	862.6	866.5	871.2
% Ch	5.4	4.2	2.6	2.3	3.8	2.2	1.8	2.2
Less: Pers Cont. for Social Ins.	419.3	425.0	430.7	436.4	442.2	447.3	452.4	457.6
% Ch	6.3	5.5	5.5	5.3	5.4	4.7	4.7	4.6
Dividends/Int./Rent	1,797.4	1,817.3	1,838.7	1,855.7	1,885.1	1,924.6	1,963.2	1,996.4
% Ch	5.0	4.5	4.8	3.7	6.5	8.7	8.3	6.9
Transfer Payments	1,358.4	1,370.6	1,382.5	1,395.4	1,424.4	1,441.8	1,459.8	1,476.3
% Ch	7.7	3.6	3.5	3.8	8.6	5.0	5.1	4.6

Table A3.3
Washington Personal Income by Component
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	163.192	174.432	186.495	190.828	195.382	203.038	213.364	225.682
% Ch	8.6	6.9	6.9	2.3	2.4	3.9	5.1	5.8
Total Wage and Salary Disbursements	94.322	103.820	109.998	110.986	110.553	114.264	120.833	127.986
% Ch	10.5	10.1	6.0	0.9	-0.4	3.4	5.7	5.9
Manufacturing	16.218	16.410	16.755	16.402	16.396	16.494	17.310	18.587
% Ch	5.9	1.2	2.1	-2.1	-0.0	0.6	4.9	7.4
Nondurable Manufacturing	3.800	4.062	4.442	4.141	4.398	4.592	4.840	5.138
% Ch	1.8	6.9	9.4	-6.8	6.2	4.4	5.4	6.2
Durable Manufacturing	12.418	12.348	12.313	12.261	11.998	11.902	12.471	13.449
% Ch	7.2	-0.6	-0.3	-0.4	-2.1	-0.8	4.8	7.8
Nonmanufacturing	74.587	83.635	89.379	90.489	89.552	92.898	98.414	104.039
% Ch	12.1	12.1	6.9	1.2	-1.0	3.7	5.9	5.7
Other Private Wages	0.775	0.893	0.927	0.947	1.024	1.075	1.138	1.215
% Ch	4.6	15.2	3.8	2.1	8.1	5.0	5.9	6.8
Farm Wages	0.876	0.984	0.961	1.050	1.194	1.238	1.284	1.337
% Ch	3.2	12.3	-2.3	9.2	13.7	3.7	3.7	4.2
Military Wages	1.865	1.898	1.975	2.099	2.387	2.560	2.687	2.806
% Ch	-3.8	1.8	4.1	6.3	13.7	7.2	5.0	4.5
Nonwage Personal Income	68.870	70.612	76.497	79.842	84.829	88.773	92.531	97.696
% Ch	6.3	2.5	8.3	4.4	6.2	4.6	4.2	5.6
Other Labor Income	10.549	11.007	11.569	12.080	12.817	13.269	13.880	14.553
% Ch	3.5	4.3	5.1	4.4	6.1	3.5	4.6	4.9
Proprietor's Income	12.505	13.395	14.254	14.320	15.021	16.250	17.158	17.739
% Ch	7.0	7.1	6.4	0.5	4.9	8.2	5.6	3.4
Farm	0.519	0.063	0.273	0.125	0.223	0.475	0.582	0.617
% Ch	11.0	-87.9	334.6	-54.3	78.6	113.4	22.5	5.8
Nonfarm	11.985	13.332	13.981	14.195	14.799	15.774	16.575	17.123
% Ch	6.8	11.2	4.9	1.5	4.3	6.6	5.1	3.3
Less: Pers. Cont. for Social Ins.	7.214	7.916	8.242	8.420	8.648	9.010	9.524	10.074
% Ch	8.7	9.7	4.1	2.2	2.7	4.2	5.7	5.8
Plus: Residence Adjustment	1.723	2.046	2.391	2.401	2.411	2.527	2.643	2.761
% Ch	4.8	18.7	16.9	0.4	0.4	4.8	4.6	4.5
Dividends/Int./Rent	31.714	31.536	34.818	35.521	36.570	38.267	39.883	42.629
% Ch	9.8	-0.6	10.4	2.0	3.0	4.6	4.2	6.9
Transfer Payments	19.596	20.545	21.708	23.940	26.658	27.472	28.492	30.088
% Ch	2.9	4.8	5.7	10.3	11.4	3.1	3.7	5.6
State U.I. Benefits	0.816	0.946	0.939	1.072	1.618	1.257	0.864	0.739
% Ch	12.9	15.9	-0.7	14.2	50.9	-22.3	-31.3	-14.5
Other Transfers	18.780	19.599	20.769	22.868	25.040	26.215	27.628	29.349
% Ch	2.5	4.4	6.0	10.1	9.5	4.7	5.4	6.2

Table A3.4
Washington Personal Income by Component
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Personal Income	184.446	185.560	185.984	189.989	187.480	193.143	191.771	190.918
% Ch	6.7	2.4	0.9	8.9	-5.2	12.6	-2.8	-1.8
Total Wage and Salary Disbursements	110.525	109.451	108.507	111.507	108.302	113.712	111.546	110.384
% Ch	4.1	-3.8	-3.4	11.5	-11.0	21.5	-7.4	-4.1
Manufacturing	16.571	16.471	16.741	17.238	17.434	16.367	16.275	15.531
% Ch	4.6	-2.4	6.7	12.4	4.6	-22.3	-2.2	-17.1
Nondurable Manufacturing	4.907	4.184	4.456	4.221	4.180	4.218	4.159	4.006
% Ch	83.5	-47.1	28.7	-19.5	-3.8	3.7	-5.5	-13.9
Durable Manufacturing	11.664	12.287	12.285	13.017	13.254	12.149	12.116	11.525
% Ch	-15.7	23.1	-0.1	26.1	7.5	-29.4	-1.1	-18.1
Nonmanufacturing	90.121	89.123	87.873	90.399	86.901	93.346	91.107	90.600
% Ch	4.0	-4.4	-5.5	12.0	-14.6	33.1	-9.3	-2.2
Other Private Wages	0.910	0.946	0.933	0.919	0.932	0.909	0.991	0.955
% Ch	-3.0	16.8	-5.4	-5.9	5.8	-9.5	41.3	-13.8
Farm Wages	0.970	0.967	0.959	0.949	0.978	1.026	1.074	1.122
% Ch	-4.8	-1.2	-3.3	-4.1	12.8	21.1	20.1	19.1
Military Wages	1.953	1.944	2.001	2.002	2.057	2.064	2.099	2.176
% Ch	14.5	-1.8	12.3	0.2	11.5	1.4	7.0	15.5
Nonwage Personal Income	73.921	76.109	77.477	78.482	79.178	79.432	80.225	80.534
% Ch	10.9	12.4	7.4	5.3	3.6	1.3	4.1	1.6
Other Labor Income	11.463	11.468	11.514	11.829	11.730	12.189	12.172	12.229
% Ch	5.4	0.2	1.6	11.4	-3.3	16.6	-0.6	1.9
Proprietor's Income	14.122	14.216	14.364	14.313	14.183	14.256	14.405	14.436
% Ch	7.2	2.7	4.2	-1.4	-3.6	2.1	4.3	0.8
Farm	0.311	0.221	0.328	0.233	0.088	0.094	0.118	0.199
% Ch	12,445.4	-74.6	386.6	-74.4	-97.9	25.3	151.5	716.3
Nonfarm	13.811	13.995	14.036	14.080	14.094	14.162	14.287	14.237
% Ch	0.8	5.4	1.2	1.3	0.4	1.9	3.6	-1.4
Less: Pers. Cont. for Social Ins.	8.405	8.171	8.115	8.276	8.179	8.601	8.478	8.421
% Ch	6.6	-10.7	-2.7	8.2	-4.6	22.3	-5.6	-2.7
Plus: Residence Adjustment	2.280	2.396	2.457	2.430	2.486	2.375	2.379	2.364
% Ch	47.8	22.0	10.6	-4.3	9.5	-16.7	0.7	-2.5
Dividends/Int./Rent	33.328	34.625	35.417	35.900	35.821	35.524	35.505	35.233
% Ch	14.2	16.5	9.5	5.6	-0.9	-3.3	-0.2	-3.0
Transfer Payments	21.133	21.576	21.840	22.285	23.137	23.688	24.242	24.693
% Ch	6.4	8.6	5.0	8.4	16.2	9.9	9.7	7.7
State U.I. Benefits	0.909	0.887	0.927	1.034	1.008	1.053	1.114	1.114
% Ch	-12.6	-9.1	19.0	54.9	-9.8	19.3	25.3	-0.1
Other Transfers	20.225	20.688	20.913	21.251	22.129	22.635	23.128	23.580
% Ch	7.3	9.5	4.4	6.6	17.6	9.5	9.0	8.0

Table A3.4
Washington Personal Income by Component
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	193.705	194.172	195.840	197.810	200.051	201.973	203.964	206.164
% Ch	6.0	1.0	3.5	4.1	4.6	3.9	4.0	4.4
Total Wage and Salary Disbursements	111.202	109.956	109.938	111.114	112.318	113.511	114.811	116.417
% Ch	3.0	-4.4	-0.1	4.3	4.4	4.3	4.7	5.7
Manufacturing	16.861	16.269	16.184	16.269	16.359	16.419	16.524	16.676
% Ch	38.9	-13.3	-2.1	2.1	2.2	1.5	2.6	3.7
Nondurable Manufacturing	4.470	4.322	4.356	4.444	4.507	4.566	4.621	4.675
% Ch	55.0	-12.6	3.1	8.3	5.8	5.3	4.9	4.8
Durable Manufacturing	12.391	11.947	11.828	11.825	11.852	11.853	11.903	12.001
% Ch	33.6	-13.6	-3.9	-0.1	0.9	0.0	1.7	3.3
Nonmanufacturing	89.811	89.108	89.122	90.167	91.151	92.241	93.393	94.805
% Ch	-3.4	-3.1	0.1	4.8	4.4	4.9	5.1	6.2
Other Private Wages	1.002	1.017	1.032	1.044	1.057	1.068	1.080	1.094
% Ch	21.2	6.0	6.0	4.7	5.2	4.4	4.5	5.0
Farm Wages	1.170	1.187	1.205	1.214	1.224	1.233	1.242	1.252
% Ch	18.2	6.0	6.0	3.0	3.5	2.9	3.0	3.3
Military Wages	2.358	2.375	2.395	2.421	2.527	2.550	2.571	2.591
% Ch	37.9	2.9	3.5	4.3	18.7	3.7	3.4	3.1
Nonwage Personal Income	82.502	84.216	85.902	86.696	87.733	88.462	89.153	89.746
% Ch	10.1	8.6	8.3	3.7	4.9	3.4	3.2	2.7
Other Labor Income	12.516	12.739	12.991	13.022	13.110	13.193	13.319	13.451
% Ch	9.7	7.3	8.2	0.9	2.7	2.6	3.9	4.0
Proprietor's Income	14.661	14.883	15.117	15.425	15.809	16.125	16.424	16.642
% Ch	6.4	6.2	6.5	8.4	10.3	8.3	7.6	5.4
Farm	0.162	0.123	0.266	0.339	0.412	0.464	0.521	0.506
% Ch	-55.7	-66.7	2,067.6	161.8	117.9	61.1	58.8	-10.9
Nonfarm	14.498	14.759	14.851	15.086	15.397	15.661	15.903	16.136
% Ch	7.6	7.4	2.5	6.5	8.5	7.0	6.3	6.0
Less: Pers. Cont. for Social Ins.	8.591	8.622	8.655	8.726	8.859	8.950	9.049	9.183
% Ch	8.3	1.5	1.5	3.3	6.3	4.1	4.5	6.1
Plus: Residence Adjustment	2.371	2.398	2.424	2.452	2.483	2.511	2.541	2.571
% Ch	1.2	4.6	4.4	4.7	5.2	4.7	4.8	4.8
Dividends/Int./Rent	35.512	36.293	37.101	37.373	37.789	38.171	38.431	38.676
% Ch	3.2	9.1	9.2	3.0	4.5	4.1	2.8	2.6
Transfer Payments	26.034	26.525	26.923	27.150	27.401	27.410	27.486	27.590
% Ch	23.6	7.8	6.1	3.4	3.8	0.1	1.1	1.5
State U.I. Benefits	1.454	1.609	1.713	1.696	1.513	1.327	1.166	1.023
% Ch	190.1	50.1	28.4	-4.0	-36.6	-40.9	-40.3	-40.6
Other Transfers	24.580	24.916	25.210	25.455	25.889	26.084	26.320	26.567
% Ch	18.1	5.6	4.8	3.9	7.0	3.1	3.7	3.8

Table A3.4
Washington Personal Income by Component
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	209.232	212.002	214.783	217.439	220.772	224.068	227.360	230.529
% Ch	6.1	5.4	5.4	5.0	6.3	6.1	6.0	5.7
Total Wage and Salary Disbursements	118.201	119.920	121.705	123.506	125.296	127.067	128.873	130.706
% Ch	6.3	5.9	6.1	6.1	5.9	5.8	5.8	5.8
Manufacturing	16.905	17.143	17.441	17.753	18.079	18.418	18.759	19.093
% Ch	5.6	5.7	7.2	7.3	7.5	7.7	7.6	7.3
Nondurable Manufacturing	4.738	4.802	4.875	4.943	5.018	5.100	5.180	5.256
% Ch	5.5	5.5	6.2	5.7	6.2	6.7	6.5	6.0
Durable Manufacturing	12.167	12.341	12.566	12.810	13.061	13.318	13.579	13.838
% Ch	5.7	5.8	7.5	8.0	8.1	8.1	8.1	7.9
Nonmanufacturing	96.258	97.692	99.131	100.574	101.937	103.316	104.729	106.175
% Ch	6.3	6.1	6.0	6.0	5.5	5.5	5.6	5.6
Other Private Wages	1.113	1.130	1.147	1.164	1.185	1.205	1.226	1.246
% Ch	7.2	6.3	6.3	5.8	7.4	7.2	7.0	6.6
Farm Wages	1.266	1.278	1.290	1.302	1.316	1.330	1.345	1.359
% Ch	4.3	3.9	3.9	3.7	4.5	4.4	4.4	4.2
Military Wages	2.660	2.678	2.695	2.713	2.779	2.797	2.815	2.833
% Ch	11.1	2.7	2.7	2.6	10.1	2.6	2.6	2.6
Nonwage Personal Income	91.030	92.082	93.078	93.933	95.476	97.001	98.487	99.822
% Ch	5.8	4.7	4.4	3.7	6.7	6.5	6.3	5.5
Other Labor Income	13.610	13.811	13.968	14.129	14.296	14.474	14.634	14.809
% Ch	4.8	6.0	4.6	4.7	4.8	5.1	4.5	4.9
Proprietor's Income	16.873	17.105	17.277	17.375	17.556	17.696	17.808	17.896
% Ch	5.7	5.6	4.1	2.3	4.2	3.2	2.6	2.0
Farm	0.521	0.576	0.628	0.605	0.607	0.631	0.635	0.592
% Ch	12.6	49.3	41.4	-13.9	1.2	17.4	2.5	-24.4
Nonfarm	16.352	16.529	16.649	16.771	16.950	17.064	17.173	17.304
% Ch	5.5	4.4	2.9	3.0	4.3	2.7	2.6	3.1
Less: Pers. Cont. for Social Ins.	9.321	9.454	9.591	9.730	9.867	10.003	10.142	10.282
% Ch	6.1	5.8	5.9	5.9	5.8	5.6	5.7	5.7
Plus: Residence Adjustment	2.599	2.628	2.657	2.686	2.716	2.746	2.776	2.806
% Ch	4.5	4.5	4.5	4.6	4.5	4.4	4.6	4.4
Dividends/Int./Rent	39.174	39.640	40.149	40.569	41.269	42.200	43.119	43.926
% Ch	5.2	4.9	5.2	4.3	7.1	9.3	9.0	7.7
Transfer Payments	28.096	28.352	28.618	28.903	29.506	29.889	30.290	30.667
% Ch	7.5	3.7	3.8	4.0	8.6	5.3	5.5	5.1
State U.I. Benefits	0.952	0.888	0.834	0.783	0.736	0.737	0.740	0.745
% Ch	-25.1	-24.4	-22.1	-22.2	-22.1	0.5	1.9	2.4
Other Transfers	27.143	27.464	27.784	28.120	28.770	29.152	29.550	29.923
% Ch	9.0	4.8	4.7	4.9	9.6	5.4	5.6	5.1

Table A4.1
Selected Inflation Indicators
 (Deflator 1996=1.0; CPI 1982-84=1.0)

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1965	0.234	1.5	0.315	1.6	0.310	1.1
1966	0.240	2.6	0.325	3.0	0.319	3.0
1967	0.246	2.5	0.334	2.8	0.328	2.9
1968	0.256	3.9	0.348	4.2	0.342	4.1
1969	0.267	4.5	0.367	5.4	0.358	4.8
1970	0.280	4.7	0.388	5.9	0.374	4.5
1971	0.292	4.3	0.405	4.2	0.382	2.1
1972	0.302	3.5	0.418	3.3	0.393	2.9
1973	0.319	5.4	0.444	6.3	0.418	6.4
1974	0.351	10.3	0.493	11.0	0.464	11.0
1975	0.380	8.1	0.538	9.1	0.511	10.2
1976	0.401	5.5	0.569	5.8	0.539	5.5
1977	0.427	6.6	0.606	6.5	0.583	8.0
1978	0.458	7.1	0.652	7.6	0.640	9.9
1979	0.498	8.9	0.726	11.3	0.709	10.8
1980	0.552	10.8	0.824	13.5	0.827	16.7
1981	0.601	8.8	0.909	10.4	0.916	10.8
1982	0.635	5.6	0.965	6.2	0.978	6.7
1983	0.662	4.3	0.996	3.2	0.993	1.5
1984	0.686	3.7	1.039	4.4	1.030	3.8
1985	0.710	3.4	1.076	3.5	1.056	2.5
1986	0.727	2.4	1.097	1.9	1.066	1.0
1987	0.755	3.8	1.136	3.6	1.092	2.4
1988	0.784	3.9	1.183	4.1	1.128	3.3
1989	0.819	4.4	1.239	4.8	1.181	4.7
1990	0.856	4.6	1.307	5.4	1.268	7.3
1991	0.889	3.8	1.362	4.2	1.341	5.8
1992	0.916	3.0	1.403	3.0	1.390	3.7
1993	0.938	2.4	1.445	3.0	1.429	2.8
1994	0.957	2.0	1.482	2.6	1.478	3.4
1995	0.979	2.3	1.524	2.8	1.522	3.0
1996	1.000	2.1	1.569	2.9	1.575	3.4
1997	1.019	1.9	1.605	2.3	1.630	3.5
1998	1.030	1.1	1.630	1.5	1.678	2.9
1999	1.047	1.6	1.666	2.2	1.728	3.0
2000	1.074	2.5	1.722	3.4	1.792	3.7
2001	1.096	2.0	1.771	2.8	1.857	3.6
Forecast						
2002	1.111	1.4	1.802	1.8	1.896	2.1
2003	1.142	2.7	1.858	3.1	1.945	2.6
2004	1.171	2.6	1.910	2.8	1.992	2.4
2005	1.200	2.5	1.962	2.7	2.042	2.5

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

+ Consumer Price Index for the Seattle-Tacoma-Bremerton, WA CMSA

Table A4.2

Chain-Weighted Price Indices

(1996=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1965	0.188	2.0	0.236	2.0	0.149	2.3	0.237	3.8
1966	0.193	2.9	0.246	4.2	0.153	2.5	0.243	2.3
1967	0.199	3.0	0.250	1.6	0.158	3.2	0.251	3.3
1968	0.207	4.2	0.259	3.7	0.162	3.0	0.254	1.5
1969	0.217	5.0	0.272	4.9	0.166	2.3	0.263	3.3
1970	0.229	5.3	0.288	6.1	0.173	4.2	0.265	0.9
1971	0.242	5.6	0.297	3.1	0.185	6.7	0.267	0.7
1972	0.252	4.3	0.311	4.5	0.186	0.8	0.270	1.3
1973	0.264	4.6	0.345	10.9	0.213	14.4	0.296	9.6
1974	0.285	7.9	0.393	14.2	0.338	58.3	0.400	35.1
1975	0.308	8.2	0.425	7.9	0.370	9.6	0.427	6.7
1976	0.329	6.8	0.439	3.3	0.395	6.8	0.445	4.2
1977	0.355	7.9	0.466	6.3	0.446	12.8	0.471	5.8
1978	0.383	7.9	0.509	9.1	0.469	5.1	0.491	4.3
1979	0.414	8.2	0.559	10.0	0.628	34.0	0.659	34.0
1980	0.459	10.7	0.608	8.7	0.874	39.2	0.914	38.8
1981	0.506	10.2	0.654	7.6	1.064	21.7	1.017	11.3
1982	0.548	8.4	0.677	3.5	1.052	-1.2	0.966	-5.1
1983	0.583	6.4	0.692	2.1	0.989	-6.0	0.934	-3.3
1984	0.614	5.2	0.715	3.3	1.011	2.3	0.920	-1.5
1985	0.644	4.9	0.729	2.0	0.976	-3.4	0.928	0.8
1986	0.673	4.6	0.750	2.9	0.787	-19.3	0.729	-21.5
1987	0.702	4.3	0.775	3.3	0.788	0.1	0.756	3.8
1988	0.736	4.9	0.801	3.4	0.790	0.3	0.763	0.8
1989	0.771	4.8	0.841	5.0	0.826	4.5	0.833	9.2
1990	0.809	5.0	0.882	4.8	0.986	19.4	0.948	13.8
1991	0.848	4.8	0.912	3.4	0.955	-3.2	0.936	-1.3
1992	0.885	4.3	0.922	1.2	0.921	-3.6	0.933	-0.4
1993	0.916	3.5	0.937	1.5	0.918	-0.3	0.923	-1.0
1994	0.942	2.8	0.952	1.6	0.903	-1.6	0.928	0.5
1995	0.973	3.3	0.973	2.2	0.896	-0.8	0.942	1.6
1996	1.000	2.8	1.000	2.8	1.000	11.6	1.000	6.1
1997	1.031	3.1	1.022	2.2	1.008	0.8	1.000	0.0
1998	1.055	2.3	1.040	1.8	0.915	-9.2	0.871	-12.9
1999	1.078	2.2	1.061	2.0	0.927	1.2	0.948	8.8
2000	1.108	2.8	1.087	2.4	1.291	39.3	1.211	27.8
2001	1.143	3.1	1.119	3.0	1.307	1.3	1.168	-3.6
Forecast								
2002	1.174	2.7	1.142	2.1	1.140	-12.8	1.082	-7.3
2003	1.214	3.4	1.166	2.0	1.134	-0.6	1.111	2.7
2004	1.253	3.2	1.192	2.3	1.142	0.7	1.084	-2.4
2005	1.292	3.1	1.220	2.3	1.177	3.1	1.105	1.9

Table A5.1

Total Resident Population and Components of Change*
 (Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	81.4	44.0	43.4
Forecast						
2002	6042.6	67.7	1.1	81.3	45.6	32.0
2003	6100.9	58.2	1.0	82.0	46.1	22.4
2004	6165.7	64.8	1.1	82.7	46.8	29.0
2005	6233.3	67.7	1.1	83.4	47.6	31.8

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual		Forecast			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Population	5894.1	5974.9	6042.6	6100.9	6165.7	6233.3
Percent Change	1.1	1.4	1.1	1.0	1.1	1.1
Age 17 and Under	1513.8	1521.3	1525.1	1525.4	1527.2	1532.1
Percent of Total	25.7	25.5	25.2	25.0	24.8	24.6
Age 6-18	1123.3	1129.3	1129.8	1127.9	1126.9	1126.1
Percent of Total	19.1	18.9	18.7	18.5	18.3	18.1
Age 18 and Over	4380.3	4453.6	4517.5	4575.5	4638.4	4701.3
Percent of Total	74.3	74.5	74.8	75.0	75.2	75.4
Age 21 and Over	4128.0	4195.1	4255.8	4311.4	4372.3	4434.0
Percent of Total	70.0	70.2	70.4	70.7	70.9	71.1
Age 20-34	1231.3	1243.2	1254.6	1262.9	1270.9	1273.6
Percent of Total	20.9	20.8	20.8	20.7	20.6	20.4
Age 18-64	3718.1	3783.9	3840.8	3890.2	3944.0	3995.5
Percent of Total	63.1	63.3	63.6	63.8	64.0	64.1
Age 65 and Over	662.1	669.7	676.7	685.3	694.5	705.7
Percent of Total	11.2	11.2	11.2	11.2	11.3	11.3

* As of April 1 of Each Year

Source: Office of Financial Management

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Glossary

Biennium: The state's two years budget cycle. The 1997-1999 biennium started on July 1, 1997 and ends June 30, 1999. The current 1999-2001 biennium started July 1, 1999 and ends June 30, 2001.

Cash Basis: Cash receipts received during a period. The Forecast Council forecasts revenues on a Cash and GAAP (Generally Accepted Accounting Principles) basis.

CPI: The Consumer Price Index for All Urban Consumers. The Bureau of Labor Statistics (BLS) updates the CPI monthly, surveying over 60,000 goods in 85 urban areas. The BLS also produces a bi-monthly Seattle-Tacoma-Bremerton CPI.

Tax Elasticity: A measure of how tax revenues respond to changes in personal income. If tax revenue elasticity is greater than one, a one percent change in personal income will be associated with more than a one percent increase in tax revenues. If elasticity is less than one, a one percent increase in personal income will be associated with less than a one percent increase in tax revenues.

Fiscal Year: The state's budget year. Washington State's fiscal year runs from July 1 through June 30. Fiscal year 1999, for example, ran from July 1, 1998 through June 30, 1999.

GAAP Basis: Generally Accepted Accounting Principles measure revenue in the period during which they accrue rather than the period in which they are received.

General Fund: Accounts for all financial resources and transactions not accounted for in another fund.

General Fund-State Revenue: Resources from state sources only, excludes federal monies.

Implicit Price Deflator for Personal Consumption Expenditures (IPD): The IPD is a by-product of the National Income and Product Accounts. It is derived by dividing current dollar (nominal) consumer expenditures by constant dollar (real) consumer expenditures.

Mortgage Rate: The average interest rate on 25 year conventional loan (as reported by the Federal Home Loan Bank Board).

Non-Wage Income: Personal income other than from wages and salaries. The major components are: proprietor's income, transfer payments, and dividends, interest and rent.

Real GDP: Gross Domestic Production adjusted for the price level.

Personal Income: Income from wages and salaries; other labor income; proprietor's income; dividends, interest and rent; transfer payments; and a residence adjustment. It is reduced by employee contributions for social insurance.

Seasonally Adjusted: Adjusted for normal seasonal variations. Monthly statistics, such as the unemployment rate, are seasonally adjusted to make month-to-month comparisons possible.

Wage and Salary Employment: Civilian nonfarm payroll employees. The self-employed, farm workers, members of the armed forces, private household employees, and workers on strike are excluded.